

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

June 21, 2024

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

Dear Mr. Peltier,

On behalf of Energy Storage Canada (ESC), we are pleased to submit these comments for the consideration of the Ministry of Energy and Electrification as it evaluates draft proposed amendments and seeks further feedback regarding potential changes *Ontario Regulation 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements*.

ESC is a not-for-profit organization and the only national trade association in Canada dedicated solely to the growth and market development of the country's energy storage sector as a means of accelerating the realization of Canada's ongoing energy transition and Net Zero goals through advocacy, education, collaboration, and research. ESC is technology-agnostic and represents the end-to-end value chain of the country's energy storage industry, including technology and component providers, project developers, energy storage service providers, power generators, electric utilities, engineering, and construction firms, as well as professional services companies and NGOs. ESC and our members work closely with customers to enable the deployment of energy storage and collaborate with regulators, policymakers, and system operators for the efficient integration of energy storage across Canada.

ESC is concerned that the current proposal is overly restrictive and unlikely to result in significant PPA uptake. In particular, limiting eligible loads and generators to IESO-market participants, not allowing hybrid energy storage-renewable generation facilities, requiring a copy of the PPA to be provided to the IESO, as well as potentially requirements for municipal support resolutions and land use restrictions will all act as disincentives for new generation facilities to participate.

The current restrictions will likely fail to achieve the Ministry's goals "to 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." ESC believes that changes are needed for the Ministry's objectives to be achieved successfully.

We have organized this submission as follows:

1. Recommendations with respect to eligible purchase customers
2. Recommendations with respect to eligible generators
3. Recommendations with respect to Municipal Support and Land Restrictions
4. Conclusion

Recommendations with respect to eligible purchase customers

ESC recognizes that the proposal is targeting customers that are currently eligible for the Industrial Conservation Initiative (ICI). However, the posting refers to “Class A market participant” and the draft regulation’s definition of an “eligible purchase customer” refers to a “Class A market participant.” The posting does not make any reference to, or explanation for, excluding ICI participants that are not IESO market participants from participation in the PPA proposal.

ESC would appreciate an explanation for the Ministry’s proposed restrictions on customer eligibility. ESC believes that IESO market participants and non-IESO market participants should both be eligible, like the eligibility requirements for cogeneration customers per Section 10.7(1) of O. Reg. 429/04. It should be acknowledged that customers with renewable corporate PPAs are securing supply resources that are of value as the economy electrifies and demand is projected to grow.

Recommendations with respect to eligible generators

The draft regulations define an “eligible generator” as a generator that is a market participant. Further, the Ministry’s posting states that the non-emitting resources eligible under the proposal are wind, solar, hydroelectric and biofuel (i.e., renewable sources). The proposal notes that there is “interest in pairing these technologies with energy storage and the inclusion of nuclear small modular reactors (SMRs), however due to the complexity to implement these additional technologies they will be considered at a future date.”

ESC does not agree with this exclusion of energy storage and urges the Ministry to reconsider this restriction. We would welcome a detailed explanation of the “complexity” associated with including energy storage as an eligible generator.

Making hybrid storage-renewable generation facilities eligible would offer ICI participants an alternative to shutting down their production facilities to avoid the top five peak hours while allowing participants to manage the intermittent output of renewable generation and fully contract-out energy systems.

In addition, pairing energy storage with renewables may improve project economics for renewable generation facility developers. For example, supporting hybrid facilities would encourage new non-emitting resources to be capable of offering more services to corporate PPA holders as well as the IESO-Administered Markets (IAM).

Overall, as ESC submitted on the first regulatory amendment proposal related PPAs and the ICI program in 2023, we continue to believe that a successful PPA program requires eligibility be broad and include:

- All renewable energy fuel types
- IESO market participant generators and non-IESO market participant generators
- Existing generators that are no longer under IESO-contract or rate-regulated
- Expansions and uprates of existing generators
- Energy storage facilities, including hybrids (i.e., renewables plus storage onsite), and virtual hybrids (i.e., renewables plus storage off-site)

Energy storage integrated or co-located with renewable energy facilities provides multiple benefits to the Ontario grid and could be attractive to customers seeking greater flexibility (i.e., managing peak contribution on-site vs. ensuring supply is available during peak periods). First, allowing energy storage to be sited at the renewable energy site or virtually allows greater opportunity for economies of scale which can greatly reduce the cost for customers compared to much smaller behind-the-meter applications.

Second, from an IAM operability perspective, pairing energy storage with renewables greatly enhances the capabilities and attributes of the resource. In addition to increasing the potential to deliver energy during supply constraint hours, a pair energy storage and renewable facility would be able to offer flexible production, ancillary services, operability support and help address power system challenges during emergency conditions. In short, the combined facility offers a fully dispatchable resource which the IESO has declared is needed today and into the future under various future outlooks for the power system. Further, energy storage helps enable a lower-carbon supply mix by addressing the drawbacks of other inflexible, low-carbon supply resources.

Finally, ESC strongly believes the regulation should support virtual hybrid facilities (i.e., renewable resources and energy storage resources sited in different locations). This will allow storage to be located where the power system needs support, offering delivery (i.e., transmission and distribution) cost savings in addition to wholesale energy savings. To maximize the benefits and minimize potential drawbacks, the regulation could establish requirements for virtual hybrid facilities such as siting the energy storage within priority zones identified by the IESO through bulk and regional planning activities. With growing demand there is a significant risk to customers in terms of in-service dates and overall costs associated with distribution and transmission investments. Targeted deployment of energy storage resources in the right locations, funded through corporate PPAs instead of general ratepayers, could offer substantial optimization opportunities for Ontario's power system.

Recommendations with respect to Municipal Support and Land Restrictions

ESC does not believe municipal support should be a requirement under the proposal. We believe that in the case of a PPA, issues such as community support and engagement and the potential risks associated with them are best managed by the parties to the agreement.

Similarly, ESC does not believe there should be prime agricultural area restrictions. In the case of a PPA, 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.

Conclusion

ESC urges the Ministry to revise its proposed amendments to O. Reg. 429/04 to truly enable PPAs in Ontario, especially with respect to the eligibility of energy storage which we believe is an essential element towards meeting the Ministry's objectives. We request the Ministry to publicly post such revised proposed regulatory amendments and implement an additional 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 enable and facilitate PPAs and new clean energy supply while addressing any concerns the Ministry may have. Please do not hesitate to contact us at any time.

Sincerely,

A handwritten signature in black ink that reads "Justin Rangooni". The signature is written in a cursive, flowing style.

Justin Rangooni, Executive Director
Energy Storage Canada