December 13th, 2024

Stephen Lecce

Minister of Energy and Electrification
Government of Ontario
77 Grenville Street
Toronto, Ontario M7A 2C1

**Subject:** Recommendations on Ontario's Integrated Energy Resource Plan (ERO 019-9285)

Dear Minister,

On behalf of REALPAC, representing commercial real estate investors and owners with over $400 billion in assets under management in Ontario, we are grateful for the opportunity to provide input on the Ministry of Energy and Electrification’s Proposed Integrated Energy Resource Plan (IERP).

We strongly advocate for the inclusion and facilitation of Virtual Power Purchase Agreements (VPPAs) and Distributed Energy Resources (DERs) in the IERP to unlock the potential for unprecedented private capital investment, clean energy generation and emission reductions from across the commercial real estate sector.

The industry needs the Ontario Government to pass the Ontario Ministry of Energy’s proposed Amendments to O. Reg. 429/04 as soon as possible.

We believe it is imperative that Ontario’s energy strategy ensures energy remains clean, affordable and reliable – and supports customer choice for suppliers.

Our industry contributes significantly to the provincial and national economies, with a GDP impact of $148 billion and over one million jobs across Canada. Our industry also makes up 18% of Canada’s total greenhouse gas emissions – with over 90% of these emissions coming from space and water heating, primarily powered by natural gas.

Our members are in business to generate returns for their shareholders. Many of these shareholders have committed to achieving net zero carbon across their investment portfolios. This is one of the key drivers for decarbonization action from commercial real estate owners and is why 70% of our members report on their Scope 1 and 2 Greenhouse Gas emissions and 50% have set a public Net Zero Carbon target.

A critical element of our members’ long-term strategy to achieving net zero carbon is the benefit provided by Ontario’s low-carbon electricity generation mix, and the expectation that this will persist, and indeed improve, in the near and long term.

**Our Key Message**

Ontario’s commercial real estate industry is critically dependent on a stable supply of clean and affordable energy to power our status as a key economic engine across the province – and country - and the demand for electricity from the industry is set to increase exponentially as commercial buildings shift towards electricity for space and water heating.

We are ready to take action to help boost electricity generation capacity and support the province’s goals of keeping energy costs down, attracting more investment and growing the economy.

**The Role of Distributed Energy Resources (DERs)**

The distribution system has traditionally acted as a GROSS aggregated load. The evolution of DERs - resources that generate/store energy or control load and are directly connected to the distribution system or located behind a customer’s meter - allows for the distribution system to act as a NET aggregate load by generating and storing electricity adjacent to the loads it services. To date, this has resulted in 3.5 GW of distribution connected assets in Ontario, of which 3 GW is attributed to renewables.

Adding DERs alleviates many ratebase concerns, the need for procurements, the need for long-term contracts, as well as siting and permit concerns. They can be deployed quickly and without public funds, subsidies or contracts. They also provide energy customers, including small and large businesses, who are tenants of commercial buildings, with choice and the ability to improve affordability through lower energy costs.

**The Role of Virtual Power Purchase Agreements (VPPAs)**

Financial contracts between a buyer and a renewable energy developer that effectively allow the buyer to invest in renewable energy generation in one location to offset their consumption in another (and receive Renewable Energy Credits, or RECs) are powerful.

Within a VPPA contract, the corporate buyer does not own and is not responsible for the

physical electrons generated by the project. The VPPA is purely a financial transaction, exchanging a fixed-price cash flow for a variable-priced cash flow and renewable energy certificates (RECs). Because the VPPA is purely financial, the buyer still needs to meet its electricity load through traditional channels—therefore, the VPPA means the buyer’s relationship with its utility at the retail level remains unchanged.

VPPAs have the potential to reduce electricity costs over the long term for energy customers, including commercial real estate owners, as the VPPA is a contract that locks in a set price for electricity (through its investment in a renewable energy project) which in turn acts as a hedge against volatile/rising electricity prices. The VPPA can also provide material new opportunities for companies to achieve emission reductions that contribute towards their decarbonization targets.

One of the challenges with VPPA adoption in Ontario to date, has been the inability to manage Global Adjustment costs within the economic structure of the VPPA. As Global Adjustment costs are a significant component of the supply cost of electricity, this has been a significant barrier to executing a successful VPPA.

**The Case for VPPAs and DERs for Ontario**

We strongly advocate for the inclusion and facilitation of VPPAs and DERs in the IERP. These mechanisms are critical to:

1. *Economic Growth and Job Creation*VPPAs and DERs attract private-sector investment, stimulating job creation in construction, maintenance, and operations. These investments align with Ontario’s broader economic goals, supporting industries like real estate, manufacturing, and technology.
2. *Affordable and Sustainable Capacity Expansion*Leveraging private-sector capital, VPPAs enable timely and cost-effective DER development without burdening taxpayers. This ensures grid expansion while reducing greenhouse gas emissions.
3. *Energy Cost Management*VPPAs should provide businesses with greater price certainty, as well as cost reduction opportunities when contracted renewable energy generation is considered for the purpose of determining Global Adjustment (GA) charges. . This is essential to help commercial building owners, manage operating costs more effectively, which in turn improves affordability for small and large businesses who are tenants of commercial buildings.
4. *Attracting Global Investments*By prioritizing renewable energy adoption through VPPAs, Ontario becomes a prime location for high-energy-consuming sectors such as data centers and manufacturing, enhancing competitiveness and attracting foreign and institutional investment.

**Key Recommendations**

We strongly recommend that the following measures are included in the IERP.

**1. Increase Investment in Efficiency, Conservation & Flexibility for Buildings**

Increase funding, directly or through regulated utilities, for demand-side solutions from building owners (e.g., efficiency, conservation, and flexibility) to help reduce the need for expensive new infrastructure. These solutions should include:

1. Incentives for energy efficiency capital and operating expenditures (doubling down on results-based programs like the Energy Performance Program);
2. incentives or preferential rate structures for demand response measures such as load shifting; and
3. incentives for enabling onsite generation to offset peaks and loads on the distribution system.

**2. Create a More Predictable and Favorable Business Environment for DERs**

Create a more predictable and favourable business environment that drives investment in onsite renewable energy generation (e.g., rooftop solar), energy storage and district energy to reduce system-wide costs and increase capacity and resiliency at the edge of the grid.

These reforms should include:

1. Making virtual/remote net metering programs available, such as those offered in New York State, with an emphasis on flexibility and the ability for a variety of customers to subscribe and also allowing for credits to be retired across multiple sites, accounts and/or tenants;
2. Implementing preferred rate structures paid to building owners for small-scale generation projects up to 10 MW;
3. Implementing standard procedures and timelines for connection impact assessments and streamlined licensing approvals (cutting red tape);
4. Establishing equitable cost-sharing mechanisms where first connectors take on a disproportionate financial burden, like in BC Hydro’s proposed Distribution Extension Policy; and
5. Making distribution-level line and substation capacity available to the public via a web portal/GIS viewer, like in Alberta.

**3. Empower Building Owners with Choice & Cost Control Options**

Implement changes that foster greater competition across the electricity system to allow

users, including building owners, to secure green power through small-scale VPPAs up to 10MW, like in Alberta.

One way to do this is to pass the Ontario Ministry of Energy’s proposed Amendments to O. Reg. 429/04 as soon as possible.

We support the proposed amendments that aim to grow new clean generation in the province by allowing Industrial Conservation Initiative (ICI) market participants to offset their facility's demand in the top five peak hours of a base period for settlement purposes through power purchase agreements (PPAs) with non-emitting generation facilities that are not connected behind the facility's meter.

We believe it is particularly important that O. Reg 429/04:

1. Treats contracted renewable generation as if it is supplied to the ICI participant behind-the-meter for the purpose of determining Class A Global Adjustment (GA) charges;
2. Also treats contracted renewable generation as if it is supplied to non-ICI participant behind-the-meter for the purpose of determining Class B Global Adjustment (GA) charges;
3. Allows for open bilateral agreements across all rate classes for all DERs. This flexibility would broaden participation and increase renewable energy deployment;
4. Instructs the OEB to implement a Class B opt-in rate class for on-site DER’s. This would incentivize businesses to adopt DERs, providing further cost control and supporting grid resilience; and
5. Includes wind, solar, hydroelectric, biomass and geothermal energy projects.

Introducing robust legislation for VPPAs and DERs, modeled after Ontario Regulation 429/04, will provide the clarity and regulatory certainty necessary to attract private-sector participation.

**Summary**

Integrating VPPAs and DERs into the IERP aligns with Ontario’s goals for sustainability and economic competitiveness. By collaborating with stakeholders and leveraging existing infrastructure, the province can accelerate renewable energy adoption and maintain its leadership in clean energy innovation.

Facilitating VPPAs and advancing DER deployment will enable Ontario to meet its energy objectives sustainably and affordably. These measures will attract global investment, drive economic growth, and equip businesses to control energy costs while reducing emissions.

REALPAC is committed to collaborating with the Ministry of Energy and Electrification to achieve these shared goals.

We appreciate your consideration and look forward to further discussions.

Sincerely,



Michael Brooks
Chief Executive Officer
REALPAC