

ONTARIO ENERGY ASSOCIATION

# ERO Posting 019-7337

*A proposal to rate regulate certain pumped storage facilities*

August 24, 2023

To shape our energy future for a stronger Ontario.



Ontario Energy Association

# ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

**Together, we are working to build a stronger energy future for Ontario.**

The Ontario Energy Association is pleased to provide this submission regarding the Environmental Registry of Ontario (ERO) posting 019 – 7337; *A proposal to amend Ontario Regulation 53/05 and/or create regulations under the Ontario Energy Board Act, 1998 to rate regulate certain pumped storage facilities.*

As has been noted in various documents, particularly the Independent Electricity System Operators' (IESO) *Pathways to Decarbonisation* (P2D) Paper, significant amounts of new generation will be needed to facilitate the upcoming energy transition. Depending on the scenario, Ontario's load growth could double by 2050 and its peak demand could triple.

Given the scale of the challenge upon us, Ontario will need to access all available energy resources, including batteries, renewables, DERs, demand response etc.

Many, if not most classes of technology are best procured via competitive markets or procurement mechanisms. This has been the case with things like capacity markets that have been utilized to contract distributed and/or latent, behind-the-meter energy resources.

However certain classes of technologies are sufficiently complex in terms of size, scale, operation or finance where the project viability may be better suited to alternative pricing mechanisms such as a rate regulated approach. It is the opinion of the OEA that the Meaford and Marmora projects referenced in the posting are appropriate candidates for rate regulation.

Factors defining pumped storage project in Ontario include the longevity of the projects, limited geographical availability, their relative uniqueness, cost and scale; all of which makes such projects more analogous to other rate regulated technologies such as nuclear or large hydro facilities rather than DERs or gas plants. Despite having all the benefits of other DER type technology, the economics of the operations, and scarcity of pumped storage facilities do not make them conducive to competitive procurement mechanisms.

Rate regulation on the other hand combines the openness and transparent of Ontario Energy Board processes with the price certainty necessary to ensure storage projects in Ontario remain viable. Furthermore the rate-regulation also means that the procurement price will also likely be the prudent and economical for that class of technology.

By right-sizing the procurement and pricing mechanism with the correct types of technology, Ontario will ensure that it can access the widest range of energy sources at the most economical prices suited for all classes of technology. And by doing so Ontario can ensure that it will meet its long-term energy transition and decarbonization goals.

Pumped storage provide flexibility to the grid, energy at scale and potentially enhance grid resiliency, all while decarbonizing the economy. Rate regulating such projects as proposed is the appropriate, cost effective and prudent thing to do to ensure Ontario meets its energy and environmental policy goals.

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Let's unravel complex energy challenges, together.