

ONTARIO ENERGY ASSOCIATION

Corporate Power Purchase Amendments

OEA Response to ERO 019-7853

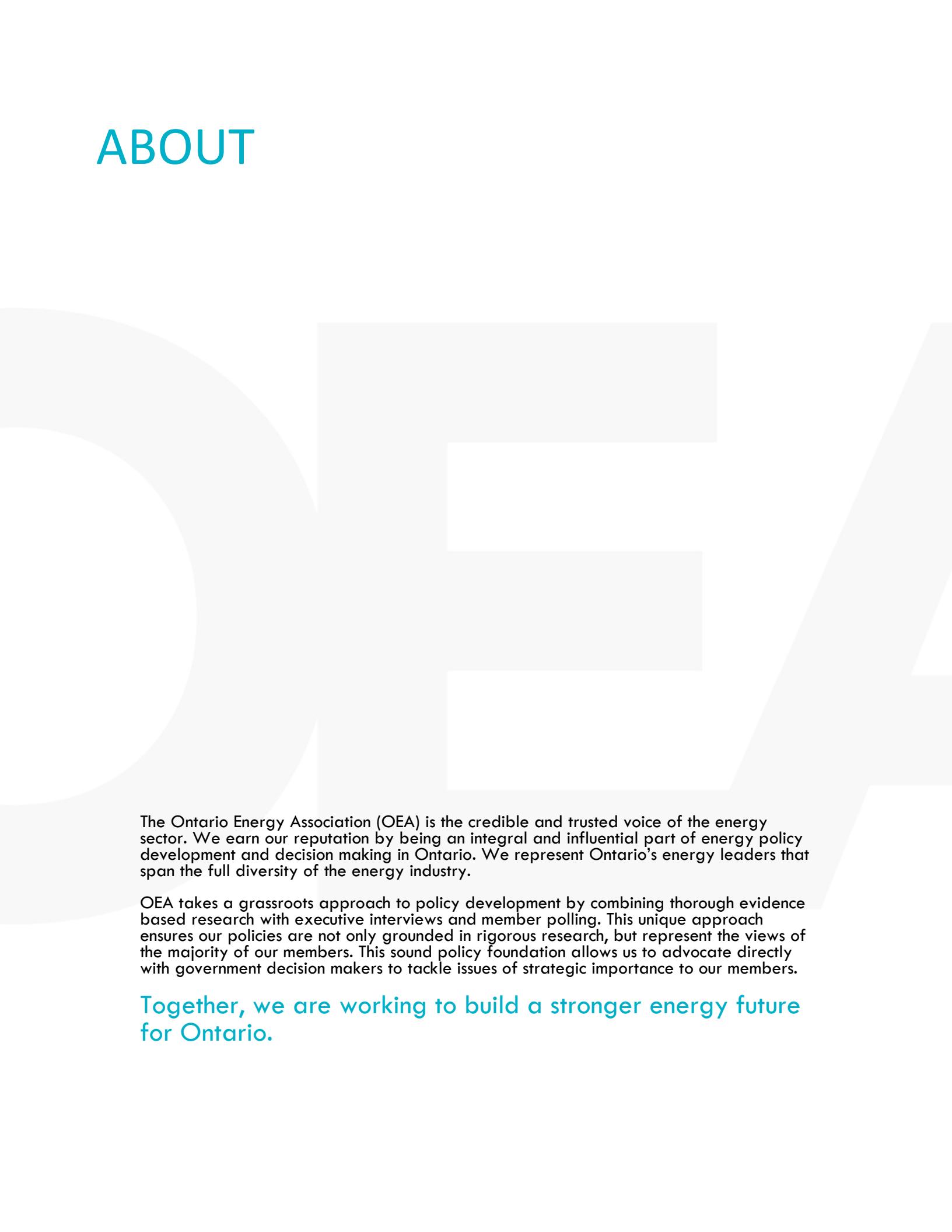
December 15, 2023

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 recommendations and positions contained in OEA submissions represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this document.

The Ontario Energy Association (OEA) is pleased to have this opportunity to provide our comments on the Ontario Regulation 420/04 Amendments to the Treatment of Corporate Power Purchase Agreements ERO 019-7853, published November 2, 2023, to the Ontario Environmental Registry.

The OEA believes that power purchase agreements (PPA) can support the need to contract new, and maintain existing, clean energy supply required to meet growing demand. Although PPAs are already permitted in Ontario, we believe that they have been scarce due to past surplus supply and the inability to avoid global adjustment (GA) charges which comprise the majority of electricity commodity costs in recent years.

OEA believes there is significant potential for PPAs in Ontario, due to:

- Having the largest and most diverse buyers in Canada that need to respond to ESG mandates, and who are also actively managing and mitigating supply needs, costs, and risks.
- Enabling investment certainty for both suppliers and buyers is a key economic development advantage.
- The multitude of suppliers and financiers.
- Already having significant and growing supply needs.
- Economic development being increasingly tied to clean energy and with this proposal Ontario will have another advantage to grow its economy.

The OEA supports Ministry actions that allow Ontarians to benefit from competition and new development as Ontario works to strike a balance between demand and supply. However, as currently drafted, the proposal offers insufficient detail to determine how the proposed program would affect system reliability/supply, LDC operations, and affordability for all customer classes.

The OEA requests more details on the program design so that industry can engage in meaningful dialogue and bring forward recommendations that can help maximize the likelihood of success and desired results as outlined by the Ministry in its proposal. Based on the information currently available, OEA submits the following recommendations for consideration.

Eligibility

Participant eligibility affects the complexity or simplicity of LDC settlements and customer connections. To reduce complexity and meet the Ministry's proposed May 2024 implementation timeline, OEA recommends restricting participation to only transmission-connected customers at this time. If the Ministry is considering allowing distribution-connected customers to participate, OEA recommends engaging with LDCs in advance of implementation to identify and work through potential challenges, related to settlements and customer connections.

Integrated Planning to Coordinate Generation Capacity and Grid Capacity

As the energy transition progresses, reliability must remain at the forefront of policy and program design, which can be achieved through integrated planning to ensure generation capacity, and grid capacity, are aligned. While land resources are not always available to co-locate renewable generation, and offsite power storage can provide benefits to wind and solar resources as onsite storage, any decisions affecting new generation and where new generation facilities are located will be limited by physical grid capacity constraints, which can create potential system congestion and supply challenges impacting reliability.

Affordability for all Customer Classes

In addition to reliability, affordability must also remain top of mind. The current proposal provides a solution for Class A customers to mitigate GA, but does not identify potential impacts to or considerations to support Class B customers. OEA stresses that affordability for all customers must be considered in policy and program design choices.

Participation by Existing and New Generation

Ontario's electricity demand is increasing and there will inevitably be a need to develop new wind, solar, biomass, battery and other renewable technologies. The OEA supports the inclusion of new generation as an eligible resource. There are also numerous wind and solar resources nearing the end of their contract life that may be available to either repower or to continue operating without major component work. In both cases, these projects would make use of existing interconnection and transmission equipment, of existing roads and other services, and existing project areas, and could continue to operate in areas where communities are familiar with the operations. These existing resources should also be deemed as eligible resources. The OEA recommends consideration be given for how gas-fired generators who utilize low-carbon fuels (Renewable Natural Gas or hydrogen) and/or carbon capture facilities may be eligible to participate in this program.

Flexibility should be maintained in all aspects (subject to coordination with existing grid capacity)

The foundation of Corporate PPAs' success in other markets has been the flexibility for power purchasers and power generators to work together to establish commercial structures, project structures, locations, and types, and related agreements that meet their unique needs. This flexibility, subject to appropriate coordination with existing grid capacity and constraints, will help ensure that this regulation attracts the development investment and downward pressure on rates that will support new economic opportunities for Ontario, via industrial investment, and affordability for all ratepayers.

Specifically, the OEA recommends that the regulation:

- Not be specific or restrictive about commercial products and/or structure of agreements. This would enable off-takers and generators to find the most economically efficient commercial arrangement for their needs.

- Not include a cap on the aggregate number or size (in megawatts) of the agreements able to be signed under this agreement.
- Not include a cap on the individual generation project or offtake agreement size. The building of larger projects will help achieve lower rates through economies of scale and should not be prevented.
- Allows for a single eligible generation resource to sign PPAs with multiple off-takers and allow a single industrial power consumer to sign PPAs with multiple generation resources. The generation resources will benefit from economies of scale in signing multiple contracts for the same asset. At the same time, power purchasers may prefer diversified suppliers for reliability reasons and should be able to sign multiple PPAs to meet the needs of their load.

The OEA and its members look forward to collaborating with the Ministry on any potential challenges and opportunities regarding program design as well as any considerations that may be useful to inform the best policy outcomes for Ontario.

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Let's unravel complex energy challenges, together.