



Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Submitted via email: engagement@ieso.ca

March 7, 2024

Dear [REDACTED],

On behalf of the Canadian Biogas Association (CBA), I am writing to provide your team with our association's feedback on the design for the Long Term 2 (LT2) and Medium Term 2 (MT2) Request for Proposals (RFPs). The CBA applauds the IESO's efforts to meaningfully engage stakeholders on the design and implementation of these programs and values the opportunity to provide meaningful contributions that help ensure the success of Ontario's next energy procurement.

The CBA is a member-driven industry organization with the goal of building a strong, robust biogas & Renewable Natural Gas (RNG) industry in Canada. We represent over 185 member companies that span the interests of biogas & RNG production, and regularly publish analysis reports, manuals, and meaningful thought leadership pieces to strengthen Canada's biogas sector. The CBA is actively manifesting pathways to expand the biogas sector in Ontario and stands ready to advance decarbonization efforts and meet the province's future energy needs.

The biogas sector brings unique value to Ontario's electricity grid. Energy production from biogas facilities can provide consistent generation throughout a 24-hour period or be incentivized to be flexible and provide more generation at times of the day in which it is valuable to the electricity system, so long as the facilities are built with this flexibility in mind. The CBA believes that the IESO should consider the value of biogas facilities when designing these next energy procurements, and how best to leverage these important assets to meet Ontario's growing energy needs.

LT2 RFP Design

Our association's feedback on the design of the LT2 RFP focuses primarily on its timing, eligibility, land-use criteria, and environmental permitting requirements.

On timing, the CBA supports the cadenced approach proposed by the IESO. This approach allows developers improved visibility and optionality to participate in multiple future procurements. This also improves potential alignment and flexibility on the timing of development work for both new-build and existing facility assets.

As well, eligibility criteria for the LT2 RFP could be expanded in some ways to enable the increased participation of biogas facilities. Firstly, the IESO should clarify the eligibility of RNG facilities in LT2. Biogas facilities can be upgraded to produce Renewable Natural Gas (RNG) which is carbon neutral and a pathway to reducing emissions in Ontario's energy sector. Considering that LT2 is targeting *non-emitting* energy generation assets, the CBA feels that RNG facilities meet these criteria and should be equally considered alongside their renewable energy counterparts. This would also provide additional opportunities for biogas operators to participate in LT2, allowing for a successful and competitive procurement.

Secondly, existing biogas facilities should be eligible for re-powering opportunities in the LT2 RFP. This would allow for the broader participation of the biogas sector, granting opportunities to existing operators whose assets could continue to operate for an additional contract term, if given the opportunity. Additionally, the CBA does not believe a specific threshold of MWs should be identified by the IESO for re-powering. Instead, the CBA feels that all facilities that can participate in the procurement and meet minimum operational requirements should be eligible to re-power their resources in LT2.

Thirdly, IESO should continue to enable the participation of Distributed Energy Resources (DERs) to participate in LT2 RFP and subsequent long-term procurements. Furthermore, clarity should be given on how new and existing DERs will be enabled and treated in LT2, including embedded Combined Heat and Power (CHP) systems using Biogas and/or RNG as their fuel source(s). The CBA strongly supports the eligibility of DERs in LT2 but is concerned that Local Distribution Companies (LDCs) will not be prepared to operationalize the processes required to support their participation. Developers are currently engaging with LDCs to better understand connection costs and operations of DERs. Biogas developers and facility operators may pursue this option to participate in upcoming procurements, but further clarity is required from the IESO to LDCs on how the DER participation model will function prior to bid submission.

Regarding land use requirements for LT2, the CBA believes that there should be no limitations on agricultural land use for biogas facilities, given that a significant number of biogas facilities are already on-farm resources, or are located near sites where agriculture activities take place. Agricultural byproducts are a key component of feedstock for biogas facilities, and a reliable, efficient supply chain connecting both agricultural operations and biogas facilities is key for the latter to function properly. Furthermore, the immediate footprint of biogas facilities remains small compared to most other energy resources eligible for participation in these RFPs, and would not compromise nearby agricultural lands or operations.

Lastly, the CBA acknowledges that the Renewable Energy Approvals (REA) process is one of the paths for permitting biogas facilities and appreciates this was highlighted by the Ministry of Environment, Conservation, and Parks (MECP) its presentation on February 9, 2024. However, the CBA would like to remind MECP, OMAFRA, and IESO, that another pathway for permitting biogas facilities exists through

the Nutrient Management Act, 2002 (NMA), and O. Reg. 267/03 (the regulation). This alternate pathway should remain as an option for permitting biogas facilities that are interested in participating in the LT2 RFP and subsequent procurements.

MT2 RFP Design

For the upcoming MT2 RFP, the CBA supports the IESO enabling optionality for developers to use both the LT1 “capacity” and LT2 “energy” revenue models, as biogas facilities can provide both capacity and energy products, depending on their respective configuration and size. Indeed, this approach would help maximize the amount of biogas facilities participating in the upcoming medium-term procurement, leveraging a reliable and clean source of energy to meet the province’s growing electricity needs.

However, the proposed 5-year contract term in MT2 for re-contracted facilities is simply too short to provide biogas operators with sufficient investment certainty to re-capitalize their assets. As mentioned in previous conversations with the IESO, re-contracted biogas facilities will need to upgrade equipment, sign new feedstock contracts, and develop maintenance plans, requiring significant capital investments from operators. This would not be possible in 5 years, and thus contracts should be closer to 15 years to allow for adequate return on investment, and the maximum participation of biogas operators in the MT2 RFP.

Lastly, the CBA encourages the IESO to move up the timing of the MT2 procurement to align with the LT2 RFP. Doing so would provide better certainty of opportunities for proponents considering re-powering their assets, and better facilitates a “bridging” of existing resources to align themselves with timelines for the larger, LT2 RFP.

Small Biogas Recontracting Mechanism

In conjunction with our comments on the design of the LT2 and MT2 RFP, the CBA would like to take this opportunity to emphasize our support for the creation of a dedicated program for re-contracting small biogas facilities. The CBA strongly believes that the IESO should consider a simple recontracting mechanism to maintain expiring, small-scale, and typically on-farm biogas facilities. As mentioned in previous conversations with the IESO, there are approximately 57 biogas facilities in Ontario, and 20 facilities reaching contract expiration between 2025 and 2030, with insufficient structures currently in place to recontract them. These facilities are valuable assets in providing reliable, low-cost, non-emitting energy, and should be leveraged to meet the province’s growing energy needs. In addition to advancing decarbonization efforts in the province, these biogas facilities also provide benefits for local communities, from generating economic growth through additional revenue for operators and capital investments in agricultural jobs, helping to maintain biodiversity, supporting food security, and more. The CBA would value the opportunity to continue discussions with the IESO on this important topic and is ready to provide support as needed.

Conclusion

The CBA believes the LT2 and MT2 RFPs present good opportunities for Ontario to leverage the biogas sector in meeting the province's energy needs. By enabling the broader participation of existing and new-build biogas facilities, the IESO will be able to leverage valuable assets that provide reliable, low-cost, and non-emitting energy to the province, as well (and benefits to their local communities) in support of the province's next fleet of renewable energy assets.

The CBA and its members applaud the IESO's efforts to engage meaningfully with stakeholders across Ontario's energy sector and looks forward to future collaboration with your organization to help finalize the design for the LT2 and MT2 procurements.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Green".

Jennifer Green
Executive Director
Canadian Biogas Association