

Feedback Form

Clean Energy Credits – February 24, 2022

Feedback Provided by:

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Following the February 24, 2022 engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the items discussed during the webinar. The webinar presentation and recording can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by March 17, 2022. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Opportunities & Challenges

Topic	Feedback
<ul style="list-style-type: none"> What are the key opportunities and challenges the IESO should be aware of in developing a voluntary clean energy market? 	<ul style="list-style-type: none"> Environmental, Social, and Governance (ESG) commitments from the world’s largest commercial and industrial operators and institutional investors are driving unprecedented demand for renewable energy to displace scope 2 emissions in their climate performance reporting and to reach renewable energy targets. This opportunity means that jurisdictions with emitting grids can attract renewable energy investment that is backed by corporate offtake agreements, bringing rural economic development, landowner lease payments, municipal taxes, and low-cost null power for Ontario consumers. Perhaps more importantly, jurisdictions that accommodate commercial and industrial (C&I) demand for renewable energy are better competitively placed to attract employers and investors who want to procure renewable energy near to their operations. This is apparent in Alberta where Amazon chose to locate a new facility for its Amazon Web Services (AWS) operations in part because of the access that Alberta offers to “renewable energy that will help allow the company to fulfill its emission reduction goals”. This opportunity is reflected in slide 4 (“Leverage Ontario’s clean energy advantage to attract jobs and investment”), but that objective is only met if the registry serves the ESG objectives of prospective investors and job creators, as revealed by what “clean energy” purchases they have made in other jurisdictions. Establishing the CEC registry is only a first step toward enabling this C&I market in Ontario. Subsequent programs and policies will need to be implemented to fully realize the benefits of the C&I market, particularly the free market opportunity for buyers to select projects that developers can connect and for the buyers and/or developers to realize a fair price for the energy generated that reflects the value of that non-emitting energy to the grid. In particular, this means addressing the value that is found in out-of-market contracting and recovered through the global adjustment charge, and therefore external to consumers’ energy charge and generators’ wholesale energy revenues.

Design considerations

Topic	Feedback
<ul style="list-style-type: none"> Which design considerations outlined in this presentation are most important to you and why? 	<ul style="list-style-type: none"> Ontario should take care to design policies and programs in a way that is targeted to accommodating the ESG-driven objectives of major global investors. Ontario can do this by tailoring the design to serve the market's revealed preference, as evinced by the types of "clean energy" procurements that large C&I investors have undertaken in other jurisdictions. These clear market preferences reveal the considerations that are most important in the CEC registry design: <ul style="list-style-type: none"> a focus on <u>renewable energy</u> (particularly wind and solar); enabling buyers to <u>substantiate corporate ESG claims</u> and to withstand audit and scrutiny by ensuring the CECs have <ul style="list-style-type: none"> <u>verifiable and credible additionality attributes</u> and <u>avoid double counting concerns</u>; freedom to <u>identify and choose particular projects</u> that fit the buyers' energy needs and other objectives like social impact; and opportunity to <u>hedge against the fair cost of electricity consumption</u> in the jurisdiction. Any design elements that frustrate C&I buyers' revealed preferences will undermine the effectiveness of the enabling policies or programs to realize their objective of accommodating these ESG drivers and attracting investment and job creation to Ontario. This includes the following risks: <ul style="list-style-type: none"> that renewable CECs preferred by buyers will be indistinguishable from or undermined by affiliation with CECs produced by less desired generation sources, like nuclear or large-scale hydro; and that CECs within the registry will be perceived as potentially double counted against other emissions reductions regime (such as industrial carbon pricing) or from non-additional (legacy) projects. To this end, it is important that the design consider the reputation and credibility of the entire CEC registry so as to avoid undermining the perception and appeal of all CECs within the registry.

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<ul style="list-style-type: none"> What other design considerations should IESO be aware of? 	<ul style="list-style-type: none"> In summary, to meet the objective of attracting investment and jobs to Ontario, the program design must serve the demands of prospective investors and job creators. These demands are reflected in the “buyer” choices that these investors have empirically made (“revealed preference”) in jurisdictions that already accommodate purchasing deals. These prior deals in the United States, Alberta, and globally, clearly reveal the demand for <u>new/additional</u> energy from <u>renewable</u> generation that is <u>not double-counted</u> against other obligations or claims, and includes the opportunity for buyers to pursue specific social impact objectives and to hedge energy and carbon price risk. A consolidated representation of what buyers want to see in CEC/REC registries is available in the existing private-sector registries that have been developed in consultation with buyers and other stakeholders: Ecologo and Green-e. Given the success of these frameworks, it is clear that they are serving buyers interests, so their designs should be closely observed and followed (or, indeed, employed in Ontario directly).

Engagement Process

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<ul style="list-style-type: none"> Which stakeholder groups and/or design topics are most important to include in the planned focus group discussions? 	<ul style="list-style-type: none"> Emphasizing what was said above, IESO should consider engaging with Ecologo on technical sessions regarding stakeholder interest. Ecologo have a successful track record on serving large customers on specific CEC/ REC preferences and priorities. Other stakeholders that should be of interest to IESO for the focus group discussions should include companies operating in Ontario that has already procured RECs from another jurisdiction. For example, by taking a look at the PPA Deal Tracker from BRCC, IESO can identify companies that have successfully procured PPA/VPPA deals through solar and wind assets.

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<ul style="list-style-type: none"> Are there any additional engagement opportunities the IESO should consider? 	<ul style="list-style-type: none"> The IESO should consider more processes on identifying what market buyers are looking for in the C&I market in Ontario, it would be imperative for the IESO to review other market from another jurisdiction, find out what the buyer wants while developing the CEC registry. Discuss barriers to corporate investment in the Ontario market; IESO should be aware that in Ontario, barriers currently exist to support a growing corporate PPA market – including the presence of global adjustment and lack of clarity on how bilateral contracts could be struck competitively and how utilities could implement green pricing programs

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<ul style="list-style-type: none"> Would you be willing to participate in a technical session? If so, on which topic(s)? 	<ul style="list-style-type: none"> BRC would be willing to participate in a technical session on topics regarding double-counting.

General Comments/Feedback