

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 |
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| What are the key opportunities and challenges the IESO should be aware of in developing a voluntary clean energy market? | <p>Capital Power is supportive of the Ministry of Energy’s (the “Ministry”) direction and the IESO’s efforts to develop a voluntary clean energy market in Ontario. As noted by the Ministry in its letter to the IESO of January 26, 2022, opportunities associated with such efforts include: investment attraction (ensuring support for businesses looking to meet ESG goals), creating value for ratepayers, and enabling further decarbonization of the grid. Capital Power agrees that these opportunities exist and believes that the key challenge will be finding the best way to realize such opportunities within Ontario’s existing market framework and within a clean energy market that is scoped to the trading within Ontario of credits related to electricity generated and consumed in Ontario. To help ensure success of a clean energy market in Ontario, Capital Power has proposed a list of best practices related to clean energy registry design (based on our experience) in the “Design Considerations” section below.</p> |

Design considerations

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| Which design considerations outlined in this presentation are most important to you and why? | <p>Capital Power has experience trading and transacting in North American environmental markets as well as developing renewables and working with commercial and industrial customers to provide power solutions to meet their needs and ESG goals.</p> <p>We believe that there would be value in the IESO exploring options for Ontario to join an existing tracking and trading system such as M-RETS, NAR, or WREGIS. That said, we acknowledge the Ministry’s direction to the IESO on this initiative that initial design be scoped to Ontario. We also recognize that both the IESO and the Ministry have acknowledged the value of aligning design of an Ontario clean energy registry with standard practices to allow for potential future expansion and cross-border trading. Alignment with standard practices will also help ensure that Ontario-scoped credits are viewed credibly by buyers and shareholders, as well as ESG reporting agencies. It is</p> |

within this context and the context of Capital Power's experience described above, that we provide the following list of best practices related to clean energy registry design for the IESO to consider in its design of a clean energy registry for Ontario:

- 1. Distinction by fuel type:** The registry should distinguish credits by fuel type. This is standard practice in North American Renewable Energy Certificate ("REC") markets as it provides the buyer with transparency regarding the credits it is procuring. Credits associated with different fuel types may transact for different values based on supply and demand (i.e., consumer preferences). Lumping all fuel types under a "clean energy credit" would be inconsistent with industry practice and could limit uptake as most buyers (even those consuming power and retiring the credits in Ontario) will be looking for transparency with respect to the offsets they are procuring to ensure credibility.
- 2. Allow for third-party certification:** The registry should allow parties that wish to obtain third-party certification for their credits (through programs like ECOLOGO or Green-e) to label them accordingly. Third-party certification does not need to be a requirement for all credits, but the registry should allow companies that have invested in additional certification to market those efforts.
- 3. Provide finality with respect to retirement:** The retirement of a credit from the registry must be final and there should be no way such an action can be reversed. This will preserve the integrity of the registry system and help avoid issues like double-counting and unnecessary distortions to supply.
- 4. Employ standard vintaging:** The registry should track the vintage of assets at least to the level of month and year. Industry standards with respect to vintaging typically allow RECs to be used within a 21-month window inside and around a given calendar year (meaning when looking to use a credit for activity in 2022, the REC must have been created within last six months of the previous

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| | <p>calendar year (2021), the full 12 months of the current calendar year (2022), or the first three months of the next calendar year (2023)). This helps to line up the credit with the action that it is being procured against and avoids companies taking credit for credits produced too far in the past or to be produced too far in the future.</p> <p>5. Employ standard tracking and transferability: All credits on the registry should be serialized and able to transfer between accounts. Serial number tracking is common practice and helps avoid issues like double-counting. It also helps to ensure transparency with respect to the retirement of credits. Some existing registries require generation data to be submitted by a third-party while others allow generation data to be self submitted by the generator. As IESO will already have access to this data for cross referencing, either approach could work.</p> <p>Flexibility with respect to purchase options (i.e., bundled, or non-bundled) is desirable for both developers and customers. Figuring out which options work best in the context of Ontario’s market will be key and Capital Power recommends further engagement on this topic below.</p> |

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| What other design considerations should IESO be aware of? | In addition to the best practices for design outlined above, the IESO may need to consider developing additional tracking measures to verify that the creation and retirement of credits relate to energy produced and consumed in Ontario – as per the broad goal of establishing a provincially-scoped registry. |

Engagement Process

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| Which stakeholder groups and/or design topics are most important to include in the planned focus group discussions? | The views of customers and developers will be particularly helpful in ensuring a successful design. Capital Power looks forward to participating in further consultation related to |

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| | <p>this initiative. We also look forward to reviewing the results of the IESO’s customer survey and gaining a better understanding of the preferences of Ontario customers with respect to registry development and product offerings. Planned focus group discussions related to the general areas of design best practices outlined above as well as purchase options and integration with existing IESO processes may be helpful.</p> |

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| <p>Are there any additional engagement opportunities the IESO should consider?</p> | <p>Yes, Capital Power believes that the IESO should consider initiating a broader discussion with stakeholders on how a clean energy registry can and will integrate with the IESO’s re-contracting, resource adequacy planning, and long-term RFP processes. This discussion will be critical to ensuring an appropriately scoped and properly designed clean energy market for Ontario, as well as efficient market signals for investment in renewable energy resources.</p> <p>It would also be helpful for the IESO to perform an assessment of expected liquidity for an Ontario-scoped clean energy market. Such work should account for how market liquidity stands to be impacted by consumer interest levels as well as broader characteristics of the Ontario market, including volume and ownership distribution of existing environmental attributes.</p> |

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| <p>Would you be willing to participate in a technical session? If so, on which topic(s)?</p> | <p>Yes, Capital Power would be willing to participate in future technical sessions related to our feedback above and broad range of expertise in the Ontario and North American power sectors.</p> |

General Comments/Feedback

Capital Power thanks the IESO for the opportunity to participate in this consultation and provide written feedback. We look forward to continuing to work with the IESO and the Ministry on this initiative and participating in all future consultation. Should you have any questions with respect to these comments, please contact the author.