

Feedback Form

Future Clean Electricity Fund – October 13, 2023

Generators

Feedback Provided by:

Name: Paul Norris

Title: President

Organization: Ontario Waterpower Association

Email: [REDACTED]

Date: October 27, 2023

Following the October 13, 2023 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 [Future Clean Electricity Fund](#) web page.

Please submit feedback to engagement@ieso.ca by **October 27, 2023.** 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.

Topic	Feedback
<p>1. What barriers for new electricity generation projects have you encountered in the province?</p>	<p>Waterpower development projects are long-lead time, capital intensive undertakings, regardless of project size (for example, the Environmental Assessment process is the same for a 1MW, 10MW or 100MW greenfield development). However, these assets, once constructed, last virtually forever, moderating electricity prices over time.</p> <p>As outlined in our five (5) point Waterpower Action Plan submission in response to the IESO's Pathways to Decarbonization Report, realization of Ontario's untapped waterpower potential can be achieved through:</p> <ul style="list-style-type: none"> - Securing existing waterpower facilities now for the future; - Optimizing operating assets in the immediate term; - Powering up water management infrastructure in the near term; - Beginning planning, siting and predevelopment work today to identify potential new hydroelectric projects; and - <u>Developing and implementing a process to recover reasonable pre-development costs.</u> <p>On this last point, and of direct relevance to the design of Future Clean Electricity Fund, the OWA noted that "it will be important that, particularly with respect to new hydro opportunities, the process(es) designed to recover pre-development costs not only include those costs associated with regulatory processes, but the provision of capacity for Indigenous (and other) communities to effectively participate as project proponents or partners."; and "previous OWA assessments of "predevelopment" costs suggested that the regulatory approvals process had increasingly become a "fixed cost", regardless of project size. Efforts to streamline and enhance permitting and approvals processes can contribute to reducing the cost recovery requirements." Finally, to ensure measured investment and a consistent, paced build out of new hydro, the IESO should initiate and sustain a regular and predictable cadence of new procurements, linked to predevelopment, for at least the next decade.</p>

Topic	Feedback
2. What type(s) of support from the IESO would facilitate new clean electricity project development?	A mechanism to recover reasonable predevelopment costs for all waterpower projects; Capacity support for Indigenous Communities and Municipalities for participation in predevelopment processes; and inclusion of additional revenue streams for projects with Indigenous and/or Community equity participation.

Topic	Feedback
3. Do you have any projects under development that would benefit from the FCEF support?	Yes, with appropriate policy and procurement, there is significant untapped waterpower potential (IESO and OPG estimate 4,000-5,000 MW), some of which could be realized in the near term (i.e. before 2035). These projects range from expansions of existing facilities to retrofits of existing dams to new greenfield developments, all of which require regulatory approval and community and Indigenous engagement.

Topic	Feedback
4. Are there any additional potential funding streams the IESO should consider?	Unique to waterpower is the fact that the industry pays “water rentals” to the provincial Consolidated Revenue Fund, averaging \$120Million annually. The IESO and the government may wish to consider a dedicated waterpower projects fund that directs a portion of water rentals to priority Fund streams.

Topic	Feedback
<p>5. Should any of the identified potential streams be recommended? Removed from consideration? If so, why?</p>	<p>Large, Priority Projects – the OWA supports this stream with the caveat that it should include all long lead time capital intensive projects, regardless of size (i.e. all waterpower) 2. Customer-sited energy – The OWA supports this stream in principle, provided that it does not constitute a significant component of the available funds. 3. Competitive Transmission procurement support – the OWA supports a stream that provides for the recovery of reasonable predevelopment costs, regardless of how the transmitter is selected. The same consideration should be given to the expansion of Distribution Systems. 4. Indigenous energy projects – The OWA supports this stream and recommends the IESO directly engage with existing Indigenous energy partnerships (several in waterpower) for input and advice. 5. Community support stream – The OWA believes that such funding should be invested in capacity building (i.e. 10) and that there should be an additional revenue stream for equity partnerships. 6. Site screening stream – the OWA does not see the value in additional third-party assessments of “best sites”.7. LDC permitting support – the OWA supports this stream. 8. Clean Energy design competition – the OWA does not see the value in this stream. 9. Competitive procurement cost offsets – the OWA is of the view that the limited funds should be invested in predevelopment activities. 10. Municipal capacity building – the OWA supports this stream.</p>

General Comments/Feedback

As noted at the session, the IESO appears to have inadvertently excluded waterpower (hydroelectricity) in the materials on “Additional Program Considerations (i.e. Definition of Clean Energy and Intake for Large Strategic Projects). Please address this oversight. It is also recommended that in the definition of Clean Energy projects distribution networks be added. With respect to the “Intake” graphic, note that the Minister of Energy has asked the IESO to report back

on “Considerations for a potential separate procurement for resources with long lead times and long lifespans, such as long-duration storage, and hydroelectric generation.”

In addition, while arguably out of scope for the Future Clean Electricity Fund, it will be important to recognize and address the fact that the regulatory tools and process involved in reviewing, permitting and approving new clean electricity projects are not controlled by the Ministry of Energy, but rather by “line Ministries” with wide ranging mandates (e.g. MNRF, MECP, MTCS). The OWA has not seen any significant investment in the capacity of these line Ministries to support the required build out of the electricity system, nor a policy discussion on the structure/function of an “all of government” approach. It is suggested that the IESO could act as a facilitator in this regard.

Finally, the OWA recommends that a portion of the Future Clean Electricity Fund be directly allocated for the purpose of enable and support the “Co-planning process” with respect to waterpower development in the Moose River Basin, as articulated in the May, 1993 government to government commitment.

This commitment specifies the process as follows:

“The co-planning process will define the decision-making role of First Nations concerning a given hydroelectric proposal. it will also provide for a dispute resolution process which would include a decision-making mechanism should there be disagreement as to whether a given hydroelectric proposal should proceed.”

This specific allocation would provide Indigenous communities and/or their partners with the means to begin the necessary pre-development work to realize the significant untapped waterpower potential in this region, as recognized in both the IESO’s Pathways to Decarbonization and OPG’s Northern Hydro Opportunities Reports.