Stakeholder Feedback and IESO Response

Hydrogen Innovation Fund: Draft Application Guideline (Program Rules) and Materials Webinar– February 22, 2023

Following the February 22nd, 2023 stakeholder engagement session, the Independent Electricity System Operator (IESO) received feedback from participants on the items discussed during the webinar.

The IESO received public feedback submissions from:

- Atura Power
- Carlsun Energy Solutions
- Change Energy Services
- Enbridge Gas
- Linde Canada
- Siemens Energy Canada
- StormFisher Hydrogen
- The Transition Accelerator

The presentation materials and stakeholder feedback submissions have been posted on the Low-Carbon Hydrogen Strategy engagement page. Please reference the material for specific feedback as the below information provides excerpts and/or a summary only.

Notes on Feedback Summary

The IESO appreciates the feedback received from stakeholders. The IESO has provided a summary below, which outlines specific feedback or questions for which an IESO response was required at this time.

Funding Requirements – timelines

All stakeholder feedback submissions included feedback on the proposed project timelines. Stakeholders unanimously indicated that the submission deadline for the research / feasibility studies reports by December 31, 2023 would be a challenge. Several comments on timelines for demonstration projects were also received. These points are summarized in the table below.

Feedback	**IESO Response**
Demonstration projects at existing facilities: • Two stakeholders recommended the commencement date for existing facilities be extended to March 31, 2024 to allow applicants sufficient time to gather and analyze the necessary data to produce accurate and meaningful reports and prepare for the demonstration projects at existing facilities.	The deadline for demonstration projects at existing facilities to commence has been extended to June 30, 2024.
Demonstration projects at new facilities: • Two stakeholders suggested the commencement date for new demonstration projects be extended to Q1 or Q2, 2026 from the current June 30, 2025 to allow for adequate lead-time for equipment orders to be fulfilled and facilities to be commissioned, given the long lead times that are characteristic of current global supply chains.	The deadline for new demonstration projects to commence has been extended to December 31, 2025.
Research / feasibility studies reports: • Stakeholders recommended extending the timelines to enable completion of high-quality research and feasibility studies. Proposed dates were March 31, 2024 and June 30, 2024. • One stakeholder suggested that the timeline should be extended to 12 months from contract execution date.	The research and/or feasibility studies submission deadline has been extended to June 30, 2024.

Funding Requirements – general

Several stakeholder feedback submissions included general feedback on the funding requirements, with recommendations on: project eligibility, competitive procurement requirements, and stacking of funding sources. Two stakeholder submissions included a question for clarification on the funding requirements. These points are summarized in the table below.

Feedback	**IESO Response**
Two stakeholders recommended expanding project eligibility to include projects that produce hydrogen by utilizing either waste energy recovery from existing processes or waste heat from gas turbine exhaust. One stakeholder recommended expanding project eligibility to include behind-the-meter hydrogen projects.	The goal of Hydrogen Innovation Fund is to investigate, evaluate and demonstrate how hydrogen technologies can be integrated into Ontario's electricity grid. Potential demonstration projects, including those utilizing waste energy to produce electricity for electrolysis, as well as behind-the-meter hydrogen projects, need to clearly indicate how the project can contribute to balancing and strengthening Ontario's electricity system in addition to any broader economy impacts. Proposals will be ranked based on how well they have demonstrated potential impact on the electricity system.
One stakeholder recommended increasing the competitive procurement requirements for sub-contracting $200,000 (over the current $50,000 threshold).	The IESO has revised the threshold for contracts that require a competitive process to $200,000 for existing and new demonstration projects. The threshold remains $50,000 for research and/or feasibility studies.
One stakeholder sought clarity on whether stacking of funding sources is permitted, and whether the minimum 25% cash to be contributed by project applicants and partners can be sourced from any non-IESO funding program.	Yes, stacking of funding is permitted and encouraged. Note that applicants must provide signed letters of support from all financial contributors at the time of the proposal submission. Also, the applicant will need to make a cash contribution to the project.

Evaluation Criteria

Several stakeholder feedback submissions requested clarity on the proposed emissions impact evaluation criteria and the methodology the IESO will be using during the proposal review.

Feedback	IESO Response
Three stakeholders have requested additional clarity on the methodology the IESO will use to evaluate emission project impacts.	The Hydrogen Innovation Fund was developed to support Ontario's Low-Carbon Hydrogen Strategy. To address the "Emissions Impact" evaluation criterion, the proposal would need to demonstrate that emissions reduction/mitigation measures have been thoroughly considered and/or incorporated into the project design, including for feasibility studies.
Two stakeholders requested further clarification on the system boundaries considered in the evaluation of proposals. For example, whether/how the evaluation criteria would consider the use of produced hydrogen to displace diesel in downstream applications to achieve broader decarbonization.	The goal of Hydrogen Innovation Fund is to investigate, evaluate and demonstrate how hydrogen technologies can be integrated into Ontario's electricity grid. Proposals will be evaluated based on how well they have demonstrated potential impact on the electricity system. The broader GHG reduction potential of a project, including decarbonization of downstream applications, will be evaluated in the "Emissions Impact" criterion.
It was recommended that Indigenous and community participation be taken into consideration in the evaluation criteria.	The "Project Team and Partners" Criterion has been revised to include consideration for Indigenous and community engagement and/or participation.

General Comments/Feedback

A few stakeholder feedback submissions included additional general comments and feedback. These points are summarized in the table below.

Feedback	IESO Response
One stakeholder suggested that there should be a mechanism by which an applicant could apply for a feasibility study and a new facility project concurrently, in which case a proponent would receive funding for a feasibility study and be "pre-approved" for funding for the project pending a successful outcome of the feasibility study.	To ensure accessibility of funding to a broad range of proponents and projects, the Hydrogen Innovation Fund (HIF) cannot reserve funding for a future project that is dependent on the outcomes of another HIF-funded project. If an organization is considering proposals for multiple streams, each proposal will need to meet the timelines and eligibility criteria for its particular stream of funding.
One stakeholder sought clarity on Intellectual Property (IP) arrangements for the three categories of projects, and whether the findings of the feasibility studies will be made public.	Each Party will retain all rights, title and interest in and to its Intellectual Property. Learnings from the research/feasibility studies are intended to inform the broader sector and/or support future project decision-making where possible. As such, final reports will be made public.
One stakeholder suggested the project scope be expanded to "hydrogen economy" due to the interconnectedness of the systems and use of gas fired generation in Ontario, and recommended a broad scope of emissions reductions projects should be considered.	The proposal will need to clearly demonstrate how any potential emission impact from the project have been considered. The broader GHG reduction potential of a project will be evaluated in the "Emissions Impact" evaluation criterion.