Feedback Form

Local Generation Program – April 23, 2025

Feedback Provided by:

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Title: Coordinator

Organization: CHP Canadian Advisory Network (CHP CAN)

Existing contract number (if applicable): Click or tap here to enter text.

Email: [redacted]

Date: May 9, 2025

Following the April 23, 2025 webinar to provide information on the Local Generation Program (LGP) and the high-level design of the program, the IESO is seeking feedback on the high-level design of the recontracting stream of the LGP

The referenced presentation and supporting materials can be found under the April 23, 2025 entry on the Local Generation Program webpage.

Commented [A1]: Has this been updated on IESO website?

To promote transparency, feedback submitted will be posted on the Updates to IESO Monitoring Requirements: Phasor Data engagement page unless otherwise requested by the sender. If you wish to provide confidential feedback, please mark "Yes" below:

- ☐ **Yes – there is confidential information, do not post**
- ☒ **No – comfortable to publish to the IESO web page**

Please provide feedback by May 9, 2025 to engagement@ieso.ca. Please use subject: *Feedback: Local Generation Program*.

Specific Questions for Existing Facilities / Suppliers:

Timing and logistical issues in recontracting

Our submission reflects, broader, industry wide comments which are included in the other/general comments and feedback sections below, and individual members of CHP CAN have submitted responses to these specific questions related to recontracting.

1. How long before the expiration of your existing contract could you confidently submit a price ($/MWh) to continue operation of the facility after the contract expires?

☐ 1 year

☐ 2 years

☐ 3 years

☐ 4 years

☐ 5 years

☐ More than 5 years

2. In the case of recontracting, would you prefer (multiple choice):

☐ For my new contract to start immediately after the old contract expires; or

☐ To be able to propose a new contract term start date; or

☐ Something else (please provide details)

Click or tap here to enter text.

3. Do you anticipate any need to shut down your facility temporarily when the existing contract expires?

☐ Yes

If yes, for how long?

Click or tap here to enter text.

☐ No

☐ Not sure

If not sure, what additional information do you need?

Click or tap here to enter text.

4. Do you anticipate any need to shut down your facility permenantly when the existing contract expires?

☒ Yes

If yes, what is the reason?

Without a revenue stream it is challenging to make the business case to cover maintenance and upgrade costs required for continued operation.

☒ No

☐ Not sure

If not sure, what additional information do you need?

Click or tap here to enter text.

5. What risks and or challenges do you anticipate around being able to recontract your existing facility to supply electricity?

Click or tap here to enter text.

Refurbishments, upgrades and expansions

6. Are you planning to refurbish, upgrade or expand your facility?

Click or tap here to enter text.

   a. If you are planning to change your facility, when would you want to do that?

Click or tap here to enter text.

7. Do you intend to increase your installed capacity or keep it the same as the existing capacity? Please describe why it might remain the same or change.

Click or tap here to enter text.

8. Do you know if your connection point and or local circuits could support an expansion or upgrade? Please provide details.

Click or tap here to enter text.

9. What risks and or challenges do you anticipate around refurbishing / upgrading or expanding your facility?

Click or tap here to enter text.

Other Comments/Feedback

Topic: High Level Program Design	Feedback
Project expansion	We are supportive of allowing / facilitating expansion of projects going through recontracting.
Contract terms	We are supportive of longer contract terms, e.g. 20 years. Short-term contracts with frequent need to re-bid creates too much pricing uncertainty and risk for proponents. Longer term contracts provide the certainty which is required to re-invest in these facilities to keep them providing reliable, clean electricity for a long time. Longer term contracts should also provide lower prices in the procurement. Requiring smaller facilities to bid every five years in a competitive process creates significant red tape and costs, and a more complex process. It may discourage participation of small facilities, where energy may not be their primary business. ADD industry comment.
Technology Agnostic	While we are supportive of the technology agnostic approach, the projects which the IESO is looking to re-contract were originally contracted via a program which was not technology agnostic which therefore makes it difficult to re-contract in a technology agnostic manner. For example, CHP offers unique value (grid resiliency, improved overall system efficiency, etc.) which may come at a higher price, and we recommend having technology specific streams e.g. natural gas/CHP, biogas/landfill gas, solar, etc. that apply the 80% procurement principles within each technology stream.

Topic: High Level Program Design	Feedback
Program design	We recommend that the program allow for generators to serve local loads as well as export to the grid when available / needed, rather than restricting the program to export only. There is precedent for this in CHP contracts at industrial and institutional facilities that allow the CHP units to play a dual role in providing both reliable power to facility loads as well as energy and capacity to the grid. Further rationale provided in the general comments below.
Allowing for behind the meter	Many industrial facilities with potential for recontracting or new CHP facilities have equipment physically connected behind the meter. We recommend the IESO allow for these industrial facilities to participate in the LGP without adding prohibitive costs required to reconfigure these generators to be connected directly for export in a dedicated meter to LDC distribution systems. Behind the meter configurations provide critical energy and capacity to industrial sites across Ontario, while providing essential critical backup power benefits that support business continuity during power outages. Strategically placed revenue-grade metering could be a solution that would allow these behind the meter facilities to participate in the LGP. Further rationale provided in the general comments below.
Natural gas hedge	We recommend the IESO consider introducing a natural gas price hedging mechanism to allow for a more equitable sharing of risks, enabling more competitive bidding to the benefit of the ratepayer. CHP CAN members would be open to discussing how fuel cost risks could be addressed with IESO staff.

Topic: High Level Program Design	Feedback
Prioritizing distribution connected generation	We are supportive of a program design that would prioritize / advantage distribution-connected generators, recognizing the additional value and grid services they offer, while also freeing up room on the transmission system.
Older contracts need consideration	It is worth pointing out that there are some older contracts, such as "Early Mover" contracts that have already expired and should be considered when developing the LGP.
Regional considerations	We are supportive of prioritizing generation where it is needed most. Our request is for as much information / discovery as possible as early as possible so we can plan for regional considerations.

General Comments/Feedback

CHP CAN members recommend the government separate the LGP into technology specific streams, e.g. natural gas/CHP, biogas/landfill gas, solar, when contracting for new/expanded generation to provide for the desired combination of energy, capacity and grid services that would most benefit the system. We also recommend allowing facilities to use CHP assets to provide energy to the site (behind the meter generation), provided there are no conflicts with procurement obligations.

A few minor changes in government rules, such as allowing for behind the meter generation in procurements and carve outs for local projects would greatly support the CHP industry, allowing CHP to support Ontario industry, manufacturing facilities and agricultural operations.

As the energy market becomes increasingly dynamic and complex, emphasizing the role of these smaller, distribution-connected and co-located projects will help ensure that the government will secure needed reliable energy supplies to meet procurement objectives.

The rationale for prioritizing and carving out a portion of the procurement target for these projects, allowing behind the meter generation, and providing an exemption for diversified farm use projects are as follows:

1. **Delivering Economic Benefits by Reserving a Portion of the Procurement for Co-Located Facilities**: the IESO has taken the reasonable and necessary steps to require proponents to secure local approval for projects to be able to submit a bid. We encourage strengthening this local oversight by reserving a portion of the procurement targets for smaller, distribution-connected projects that are designed to be co-located with industrial, manufacturing, agricultural or other facilities that provide direct local economic benefits to communities in which they are located.

2. **Lower bid prices and increased competition:** allowing facilities to use their CHP assets to generate power for their own needs when not required as part of procurement obligations facilitates a lower bid price and more competition, which benefits all customers and any industrial and agricultural facilities considering self-generation with CHP.

3. **Providing Reliability and Grid Services by Prioritizing Distribution-Connected Facilities in Regions where they are needed most:** Prioritizing distribution-connected resources enhances grid resilience and efficiency while reducing transmission costs. By leveraging localized energy generation and storage, distribution-connected resources can alleviate stress on the transmission network, minimize energy losses, and provide faster, more flexible responses to grid demands. Additionally, they empower communities to adopt clean energy solutions, aligning with decarbonization goals and fostering energy equity by creating opportunities for localized economic growth and participation in the energy transition. We are supportive of prioritizing generation where it is needed most. Our request is for as much information / discovery as possible as early as possible so we can plan for regional considerations.

4. **Reducing Regulatory Challenges and Improving Social Acceptability with Smaller, Co-Located Facilities:** by carving out a portion of the procurement for smaller facilities (e.g., less than 25 MW) will result in a more streamlined approval process and more chance of successful project implementation. These projects are less likely to face community opposition and create political challenges, while falling below thresholds for larger facilities that would impose significant regulatory challenges, for example the Clean Electricity Regulations.

5. **Supporting the Agricultural Sector by Facilitating Diversified Farm Use Projects**: Diversified farm use offers numerous benefits by integrating various agricultural activities to maximize efficiency, sustainability, and profitability. By adopting and respecting the Provincial Policy Statement definition of diversified farm use, the IESO will be empowering the agricultural sector to make the best choices for their operations, and supporting them by providing them opportunities to supply needed heat and power to their facilities to meet local energy needs for growing crops and supporting agricultural operations.