Feedback Form

Local Generation Program – April 23, 2025

Feedback Provided by:

Name: Jennifer Green

Title: Executive Director

Organization: Canadian Biogas Association

Existing contract number (if applicable): Not available

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.

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**

X **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

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)

As the Canadian Biogas Association represents a diverse group of facility owners across Ontario, perspectives on recontracting timelines can vary. That said, based on input from a number of our members, many biogas facilities would prefer for the new contract to begin immediately following the expiry of the existing one. However, timing considerations may differ depending on individual circumstances—particularly the interval between price submission and contract commencement. With some contracts expiring as early as 2030 and others staggered throughout the early 2030s, flexibility in the program's structure will be key to accommodating varying facility needs.

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?

Based on feedback received from CBA members, many currently do not anticipate the need for a temporary shutdown of their facilities upon contract expiry. However, there is concern that a

permanent shutdown may be necessary if the Local Generation Program does not present a viable recontracting pathway for biogas facilities. The ultimate outcome will depend on the final design of the program. The CBA has long advocated for a straightforward, small-scale generation program, recognizing that many biogas facility contracts with the IESO begin expiring as early as 2030.

Our hope is that, as the IESO continues refining the program's design there will be some optionality for contract holders to have the ability to shut down periodically (based on individual needs) as they are undergoing maintenance, refurbishment, upgrades or expansions to their facility. In a scenario where a biogas facilty is undergoing signficant changes, flexibility on contract start dates would be beneficial as facilities will need to identify their anticipated commercial operation date based on the type of change the facility will be undergoing.

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

☐ Yes

If yes, what is the reason?

Click or tap here to enter text.

☐ No

☒ Not sure

If not sure, what additional information do you need?

There is a possibility that some of our members may choose not to recontract their biogas facilities. This decision will largely depend on the final design of the Local Generation Program and whether it offers a straightforward and financially viable recontracting pathway. For many facilities, the expiration of current contracts coincides with the end of their engines' useful life. As a result, significant capital investments in upgrades or replacements may be required. Whether these investments are justifiable will depend heavily on the pricing and terms of any new contract with the IESO. If the program does not provide sufficient value, permanent shutdowns may become necessary for some operators.

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

Our members have collectively identified several key challenges related to the proposed recontracting stream of the program. One major concern is the proposed contract term length, which may not align with the financial and operational realities of biogas facilities.

Additionally, the current approach of evaluating projects primarily based on price poses a challenge, particularly given the wide range of technologies and facility sizes involved—from as small as 100 kW to as large as 10 MW. Larger projects using different technologies may be able to submit lower-priced bids, placing smaller biogas facilities at a disadvantage.

This issue, along with other important considerations for program design, is further outlined in the chart below.

Refurbishments, upgrades and expansions

6. Are you planning to refurbish, upgrade or expand your facility?
    a. If you are planning to change your facility, when would you want to do that?

Based on feedback from our members, some have expressed interest in the potential to expand their facilities. For many, refurbishment or expansion would be a favourable option at the time of contract renewal. However, these decisions will ultimately depend on prevailing market conditions and the terms offered by the respective utility provider.

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.

Some of our members have indicated that significant cost increases—particularly for digester refurbishments, which have in many cases doubled or even tripled—pose a major challenge when considering changes to installed capacity.

While there is some potential for members to increase their installed capacity, any such decision will ultimately depend on the contract price and whether it appropriately reflects rising costs. Inflation, along with ongoing trade and tariff pressures in Ontario and across Canada, remains a key concern for the sector. Without sufficient financial viability in the contract terms, most facilities are likely to maintain their current capacity.

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

The answer will vary and is specific to each individual facility and/or Canadian Biogas Association member.

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

CBA members have identified several key risks associated with refurbishing, upgrading, or expanding their biogas facilities. Chief among them is financial risk—specifically, the significant capital investment required compared to expected return on investment.

Other major concerns include the availability and reliability of feedstock supply, as well as uncertainty around whether long-term contracts will be available to support facilities undergoing such upgrades or expansions.

Other Comments/ Feedback

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The CBA is supportive of the net new stream offering long-term contracts of 20 years for net-new facilities. However, the contract term for the recontracting stream should be extended from 5 years to at least 15 years.	In Ontario, there are 56 existing biogas facilities between 100kw and 10MW, providing 79MW of clean energy. 20 of these facilities are seeking a re-contracting or expansion mechanism as early as 2030. From an economic/cost effectiveness perspective, for biogas facilities that are largely in the 250kW-1MW range, 5-year contracts will create difficulties for biogas facility owners. A short-term contract, paired with frequent participating in competitive procurements creates too much pricing and uncertainty risk for biogas developers. Our industry and facility owners (many of whom are small scale local farmers) will require a longer contract to ensure greater price stability and certainty for a longer term. This is particularly important during periods of economic uncertainty. The IESO has identified longer term energy needs – out until the 2050s – while biogas developers must source and secure feedstock and have financial certainty to make investments to maintain their facilities. The risk of bidding into competitive procurements on a five-year basis is not practical for small operators, nor does it provide enough certainty to ensure adequate investment in maintenance, including certainty to secure feedstock agreements. A longer term of 15-20 years is important to ensure that these facilities have certainty for investments and remain within the province's energy supply mix during a time when energy is becoming increasingly more important as demand is rising at an exponential rate as seen in the most recent 2025 IESO Annual Planning Outlook (APO). CBA members also believe that longer term contracts will help to provide certainty, enabling lower bid prices, where the overall maintenance and repair costs can be spread over a longer, and certain, term. Apart from the offer of longer contracts supporting lower pricing and derisking the concerns seen with

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	a short-term contract, it is also unrealistic to ask smaller facilities to bid every five years in a competitive process. This creates significant red tape and costs, and a more complex process. It will discourage participation of small facilities, where energy is not their primary business.
The CBA is seeking clarity from the IESO in the next webinar on what constitutes an upgrade, eligible expansion, and refurbishment as it relates to biogas facilities in the Local Generation Program.	The CBA is seeking clarity from the IESO on whether the definitions for **"eligible expansion"**, **"new build"** and **"upgrade"** will be consistent with what has been stated in LT1 as well as the updated LT2 documents. The IESO has defined "**eligible expansion**" as the following: the development and construction by an Eligible Expansion Counterparty of one or more additional Electricity generation or storage units to an Eligible Existing Facility that utilize the same Electricity generation or storage technology as the Eligible Existing Facility, whose: (i) Connection Point is the same actual, physical interconnection to the Distribution System (as applicable) as that of the Eligible Existing Facility and that is separately metered from the Eligible Existing Facility; or (ii) if proposing a different Connection Point than that of the Eligible Existing Facility, the additional Electricity generation or storage units to the Eligible Existing Facility must be located within or adjacent to the boundaries of the Property on which the Eligible Existing Facility is located. In the circumstance of a small generation facility seeking an expansion, it may not be practical or feasible to have a separately metered part of the facility for an expansion. The IESO should consider how a single contract with a single meter can be used to keep the process simple, reducing the need for additional metering costs. For some technologies, including biogas, upgrades or expansions may be physical changes that may not practically be "metered" differently than the original generation. In the circumstance of LT2, **"new build"** has been defined as the following: the development and construction of a new Electricity generating or storage facility that is not an Upgrade or

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	Redevelopment. While **"Upgrade"** has been defined as: the refurbishment, replacement or addition of equipment or technology in respect of an existing Electricity resource. The CBA suggests that the IESO propose simple definitions of each, but ensure that the process for expansions or upgrades not be overly complex, and possibly enable the expansion or upgrade to be included in a single contract and price with the original facility.
The eligibility of all technologies in both streams of the Local Generation Program.	To ensure a fair, equitable, and strategically sound recontracting process under the Local Generation Program, it is crucial that the IESO adopt technology-specific procurement windows, particularly for biogas projects. This approach acknowledges the unique operational characteristics, value propositions, and cost structures associated with different generation technologies—differences that are not adequately accounted for in broad, technology-agnostic evaluations. Biogas projects, in particular, provide distinct and system-critical benefits that are often undervalued in competitive procurement processes when assessed alongside technologies with inherently different generation profiles, cost structures, and system services (e.g., solar PV or small hydro). These benefits include: • **Firm, dispatchable generation** with high reliability. • **Waste-to-energy capabilities** that contribute to circular economy goals and emissions reductions. • **Local environmental and economic co-benefits**, such as reduced methane emissions from organic waste and support for agricultural and industrial sectors. • **Baseload or peak-shaving potential**, enhancing grid stability and reducing curtailment risks for intermittent renewables.

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	Without a technology-specific approach, these attributes are at risk of being overlooked, particularly when cost is over-emphasized and cross-technology comparisons fail to reflect system value. Moreover, technology-specific procurement aligns with the IESO's broader goals of **grid reliability, diversity, and resiliency**, as outlined in the 2025 Annual Planning Outlook (APO), which forecasts a 75% increase in demand by 2050. Procuring from a mix of generation types—each with complementary characteristics—is key to meeting such growth while maintaining system flexibility and resilience. While project size stratification is also important—particularly to ensure smaller-scale legacy projects are not marginalized in favor of near-10MW assets—it should function as a **secondary filter** within technology-specific streams. Facilities of different sizes face varying economic realities (e.g., economies of scale, access to capital), and grouping by size within a biogas-specific stream will help ensure a more **level playing field** without diluting the core advantages of evaluating like technologies together. Lastly, it should be noted that the CBA is aware of at least one biogas facility that is under 100kW and ask that considerations be made to accommodate the few slightly smaller scale facilities to maintain robust industry participation.
Consideration for system efficiencies on the producer side to measure by annual output versus hourly output to an LDC.	Under our members current operations, biogas facilities are tied to an hourly output (ex. Under 500kW) even though these facilities often have the capacity to produce more. The CBA is urging the IESO to consider an annual output means that would allow proponents/ facilities to make up for times when they may be down for example for maintenance purposes. This would allow facilities

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	to not be penalized by the LDC to be over 1, 2 or 10kW at any given hourly increment.

General Comments/Feedback

On behalf of the CBA, we appreciate the IESO taking the time to engage with stakeholders on the design of the Local Generation Program. Ensuring the program's design criteria can encourage participation from the biogas sector and facility owners who require contract renewals as early as 2030 remains more important than ever as the Local Generation Program is the only viable recontracting mechanism for the biogas industry in Ontario.