

Independent Electricity System Operator

1600-120 Adelaide Street West

Toronto, ON

March 7, 2024

Re: Long-Term 2 Request for Proposals – Call for Engagement

The Atmospheric Fund (TAF) is grateful for the opportunity to provide feedback to the IESO on the ownership of Clean Energy Credits (CECs) resulting from contracts procured under the Long-Term 2 Request for Proposals (LT2 RFP). In response to the [IESO's proposal that suppliers would retain ownership of environmental attributes produced under LT2 RFP contracts](#), we raise concerns regarding the potential limitations and missed opportunities under this approach.

Risk and regulatory uncertainty

TAF is primarily concerned that allowing suppliers to retain ownership of CECs may not generate as much benefit as having the IESO retain ownership given current market conditions. There is a high degree of uncertainty surrounding the future market demand and price of CECs. This is compounded by regulatory uncertainties surrounding the CEC system (i.e. a future government could decide to alter or terminate the system within the contract term). Consequently, suppliers are likely to deeply discount the financial value of retaining ownership of CECs and may not factor this into their bid prices. Allocating ownership of CECs to suppliers is therefore likely to generate minimal value for ratepayers and the province of Ontario. If demand for CECs grows in the future, suppliers would then realize additional unexpected profits from CEC sales which would not create any benefits for ratepayers, nor would it generate additional investment in clean energy. Whereas if IESO were to retain ownership of the CECs, any resultant revenue would accrue to the IESO and be recycled into clean energy investments through the Future Clean Electricity Fund, ultimately benefitting ratepayers and the climate. IESO ownership may also help to stabilize the credit market in the medium term, by providing greater certainty on the quantity of supply and reducing overall transaction costs within the CEC market.

We are interested in further understanding the analysis the IESO has carried out to understand the value of CECs over the contract term, and what is expected with respect to lower contract costs. If estimates are minimal, the IESO retaining CEC ownership could safeguard against future energy policy changes, helping provide stability in the long run.

Cost-savings and additionality

To maximize the financial benefits realized by ratepayers through CECs, TAF recommends that the IESO retain their ownership. The success of CECs relies on their additionality, so it is vital that they result in or incentivize new investments in carbon reduction. By retaining ownership, the IESO can sell environmental attributes at market prices with [regulations mandating the reinvestment of revenues from these sales through the Future Clean](#)

[Electricity Fund](#). This requirement to reinvest revenues in new clean infrastructure will ensure environmental benefits, contributing to cleaner power, reduced emissions, and long-term affordability for ratepayers. Conversely, private suppliers lack an incentive or requirement to reinvest CEC revenues they generate, so there is no guarantee that these funds will be directed towards new clean energy projects or to benefit ratepayers. While details on the operation and specific funding priorities of the Future Clean Electricity Fund are pending, this approach will help ensure CEC revenues scale the benefits realized by ratepayers.

TAF appreciates the opportunity to provide feedback and seek clarification on further details of the LT2 RFP framework, and we look forward to future stakeholder engagement. Thank you for considering our input.

Sincerely,

Bryan Purcell



VP of Policy & Programs
The Atmospheric Fund

About the Atmospheric Fund

The Atmospheric Fund (TAF) is a regional climate agency that invests in low-carbon solutions for the Greater Toronto and Hamilton Area (GTHA) and helps scale them up for broad implementation. Please note that the views expressed in this submission do not necessarily represent those of the City of Toronto or other GTHA stakeholders. We are experienced leaders and collaborate with stakeholders in the private, public and non-profit sectors who have ideas and opportunities for reducing carbon emissions. Supported by endowment funds, we advance the most promising concepts by investing, providing grants, influencing policies and running programs. We're particularly interested in ideas that offer benefits in addition to carbon reduction such as improving people's health, creating local jobs, boosting urban resiliency, and contributing to a fair society.