



January 10th, 2024

BY EMAIL: [REDACTED] and [REDACTED]

Lesley Gallinger
CEO, Independent Electricity System Operator (IESO)

David Barreca
Supervisor of Resource Acquisition, Independent Electricity System Operator (IESO)

Dear Ms. Gallinger and Mr. Barrecca:

Re: Feedback on Long Term Capacity Services and Long Term Energy Supply Request for Proposals (RFP)

I am writing to provide you with Environmental Defence Canada's input in regards to the most recent versions of the Request for Proposals for the upcoming procurement for Long Term Capacity Services and Long Term Energy Supply.

1. The Long Term Capacity Services RFP Unfairly Stacks the Deck in favour of Natural Gas Fired Electricity Generation Developers

On August 28th of this year, you received a [Ministerial Directive](#) from Minister Lecce requesting a report-back on the design of IESO's second long-term procurement. In that communication, Minister Lecce asked that the "IESO report back on an approach that is technologically agnostic to ensure the province can procure the resources required at a competitive price."

The direction provided by the Minister is important for two reasons: 1) it directs the IESO not to favour one energy capacity technology over another and 2) suggests that Ontarians will be best served by the most cost-effective resources.

Yet, the draft Request for Proposals for up to 600MW of new electricity capacity provides one technology, natural gas fired electricity generation, with an unquestionable advantage.

First, out of a possible 15 points, proponents who are able to demonstrate continuous delivery through a "Non-Electricity Storage Facility" will be awarded a full three points. The only "non-electricity storage" proponents able to be awarded full points are natural gas facility operators. This gives the impression of favouritism and is clearly not a technology agnostic approach.

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Second, any developer able to build an electricity storage facility that is able to continuously deliver electricity for 12 hours or more would be awarded 2 points with anyone not being able to meet the 12 hours threshold being awarded 0 points. We note as well that the amount of continuously provided electricity was upped from a ceiling of 8 hours to 12 hours in the latest RFP. In our discussion with energy developers, we understand that there isn't a single Lithium Ion battery storage facility in Canada capable of providing continuous electricity for 12 or more hours.

Ontario consumers in a Time-of-Use arrangement pay for peak demand for a maximum of 6 hours in any 24 hour cycle in both winter (between 7am-11am and 5pm-7pm) and summer (11am to 5pm). Prescribing 12 hours or more for continuous, reliable electricity as part of LT2 RFP seems arbitrary and gives the impression that the IESO is providing natural gas facility developers with an unfair procurement advantage.

Gas is also expensive. As evidenced in the recent LT1 procurement, battery storage beat out gas on price by a wide margin. In Ontario (and other jurisdictions) [wind energy is now cheaper to produce](#) than natural gas electricity production, with even greater cost savings expected in the future. Not only is the Capacity Services RFP providing an unfair advantage to natural gas facility developers, it will cost Ontarians a lot more. For a government that touts affordability as a main driver for government decisions, the unfair advantage being provided to natural gas facility developers is alarming.

Environmental Defence strongly recommends that the RFP criteria be revised to remove technology biased terms such as “non-electricity storage facilities” and the requirement of 12 hours of continuous electricity in favour of six hours of continuous electricity to meet actual peak demand requirements for Ontario consumers and the ICI sector.

2. The Government of Ontario Initially Touted LT2 as Providing Certainty on Future Energy Procurements but the Current Approach has Undermined Confidence with Renewable Energy Developers.

In the December 2023 Ministerial Directive by former Energy Minister Todd Smith touted LT2 as providing “certainty on future procurement targets will provide all energy project proponents the confidence to begin to work with local and Indigenous communities, as well as other parties to advance new projects”.

The reality in the last year, however, has been a steady decline in confidence by renewable energy developers in the LT2 process as either procurement goalposts have moved or new restrictions have been imposed by the government of Ontario and its Ministries. In particular:

- The **Ministry of Natural Resources and Forestry** is currently overburdening wind energy developers with significant consultation

requirements for the installation of wind measurement towers on Crown Land. Thus far, the LT2 procurement and access to Crown Land have not worked in lockstep to ensure that developers are able to develop viable models and timely business decisions.

- Through a Ministerial Directive in June 2024, the government introduced significant restrictions on developing energy projects on prime agricultural lands. While this constitutes a positive development for protecting Ontario's food growing regions, it unnecessarily closed the door to on-farm diversified uses for smaller-scale projects up to one hectare in size or up to 2% of farm property.
- The lack of clarity and guidance on Agricultural Impact Assessments (that will be approved by municipalities including those with little or no capacity or experience with this **Ministry of Agriculture, Food and Agribusiness** priority) has been bewildering to the industry and created more confusion. The latest RFP suggests that "Local" municipalities approve the AIA - which unfortunately does not reflect the planning realities of most municipalities where municipal planning functions in rural Ontario take place at regional municipal level.
- Further, your own organization, the **Independent Energy System Operator**, has either not released or delayed releasing grid connection information to energy developers - again delaying business case development and undermining confidence in the process.

As the LT2 procurement has evolved, it has become clear that the IESO has been trying to address new planning requirements through its own procurement process. Building a railway while the train is moving only works if all partners are on board and Ministries are providing clear direction by working in lockstep with the IESO. Unfortunately as the goalposts have moved on this procurement, the required collaboration has not materialized in a way that is instilling confidence with industry and municipal stakeholders.

Environmental Defence suggests that a formal working group be established composed of industry experts (not involved in the LT2 procurement), municipalities, and relevant Ministries to steer the LT2 procurement process moving forward.

Your Sincerely,

Mike Marcolongo
Associate Director, Environmental Defence Canada