



November 27, 2023

Ministry of Energy

77 Grenville Street
Toronto
Ontario
M7A 2C1

Subject: Ontario Regulation 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements

OSPE is pleased to respond to the consultation: *Ontario Regulation 429/04 Amendments Related to the Treatment of Corporate Power Purchase Agreements*.

OSPE is the advocacy body and voice of the engineering profession in Ontario. Ontario currently has over 85,000 professional engineers, 250,000 engineering graduates, 6,600 engineering post-graduate students, and 37,000 engineering undergraduate students. Through OSPE's non-partisan, evidence-based approach to advocacy, we are recognized as a trusted advisor to government and regularly asked to provide input on policy, planning, and budget decisions.

OSPE wishes to raise several key concerns regarding the proposed changes to the Industrial Conservation Initiative (ICI) program. As an organization that advocates for fair and equitable energy policies, we believe it is crucial to bring to your attention the potential implications of the proposed modifications.

The current ICI program has transferred well over a billion dollars per year in electricity system costs to non-ICI consumers in both Class A and Class B. The proposed change potentially exacerbates this cost transfer and raises concerns about its impact on non-ICI electricity consumers and/or the provincial deficit.

Specifically, the modification would allow ICI program participants to enter contracts that exempt them from reducing their peak load, provided they have a contract with a renewable energy producer for their peak load requirements during the five highest demand hours of the year. It is primarily the long-term reduction in peak load demand that provides value to the electricity system of the ICI program. Absent from that reduction, where is the value to the electricity system of the ICI program?

While we understand the intention is to encourage the use of renewable energy, there are aspects of the proposed changes that warrant careful consideration.

Firstly, the notice lacks clarity on who bears the additional costs associated with producing and transmitting the ICI consumers' renewable energy for the remaining 8,700+ hours of production each year. It is essential to ensure that the entire cost of the renewable energy facility, as well as the associated additional transmission and distribution capacity needed to move that renewable energy to ICI consumers, is appropriately accounted for and allocated.

Secondly, the announcement fails to address critical questions, such as whether the renewable generation must be new and be located physically close to the ICI consumer to minimize transmission and distribution system costs. Ontario's power system does not have sufficient electrical storage to utilize variable renewable sources efficiently. The burden of the additional electricity system costs need to be clearly determined and assigned to the ICI consumers who engage in such contracts.

Thirdly, there is no mention that the renewable energy provider who engages in such ICI energy swaps must maintain detailed hourly records that proves the same hourly energy production is not being allocated to more than one ICI client.

It is essential to ascertain that the IESO system-related global adjustment costs attributed to the ICI consumer do not unfairly burden non-ICI electricity consumers and/or the province's deficit.

In conclusion, OSPE urges careful reconsideration of the proposed changes to the ICI program, taking into account the potential consequences for both electricity consumers and the provincial deficit. Transparent and well-thought-out policies are crucial for fostering a sustainable and fair energy system for all stakeholders.

Thank you for your attention to this matter, we trust the Ministry will carefully consider the concerns outlined in this letter.

OSPE welcomes further consultation with the Ministry and is open to meeting with the relevant stakeholders. For any enquiries, please contact Paola Cetares (pcetares@ospe.on.ca) or Stefanie Black (sblack@ospe.on.ca).

Sincerely,



Stephanie Holko, P.Eng., MBA
Chair and President
Ontario Society of Professional Engineers



Sandro Perruzza
Chief Executive Officer
Ontario Society of Professional Engineers