ONTARIO SOCIETY OF PROFESSIONAL ENGINEERS

January 19, 2026

The Honourable Stephen Lecce, MPP
Minister of Energy and Electrification
Government of Ontario
Ministry of Energy
10th Floor, 77 Grenville Street
Toronto, ON M7A 2C1

Subject: Strengthening Ontario's Grid Innovation Fund to Support System Reliability, Affordability, and Innovation

Sent via Email to: MinisterEnergy@ontario.ca

Dear Honorable Minister Lecce,

I am writing to highlight the importance of strengthening Ontario's Grid Innovation Fund (GIF) and to present a set of key recommendations aimed at enhancing its ability to drive innovation, support business formation, and contribute to the long-term reliability and affordability of Ontario's electricity system.

As Ontario faces accelerating electrification, rising electricity demand, and rapid technological change, the need for a modern, agile, and strategically governed innovation fund has never been greater. While the province has a strong foundation in energy innovation, the scale and complexity of future challenges require a more deliberate and forward-looking approach.

The GIF is uniquely positioned to help Ontario de-risk emerging technologies, validate new business models, and support the growth of homegrown companies. To fully realize this potential, the Fund must evolve in ways that increase flexibility, transparency, accessibility, and strategic alignment. The following recommendations outline a path forward.

1. Establish adaptive funding mechanisms

Ontario should adopt adaptive funding mechanisms that allow the GIF to respond quickly to emerging technologies and evolving system needs. This includes rolling or continuous intake

streams for early-stage concepts, alongside targeted calls focused on priority areas. A more flexible intake structure would reduce delays, encourage timely innovation, and ensure the Fund remains relevant in a rapidly changing energy landscape.

2. Implement technology-neutral evaluation criteria

The GIF should adopt technology-neutral evaluation criteria focused on outcomes such as cost reductions, reliability improvements, system flexibility, and emissions reductions. Avoiding the premature selection of specific technologies allows a broader range of solutions (including software, hardware, and innovative business models) to compete on equal footing and supports creativity across the innovation ecosystem.

Technologies in other energy sectors (ie: natural gas, thermal energy, liquid and solid fuels, etc.) that can help optimize the use of the electrical grid for consumers' overall energy needs should also qualify for innovation funding.

3. Create tiered funding streams to support commercialization

Ontario should introduce tiered funding streams that support projects from proof of concept through to large-scale demonstration and deployment. Many innovators struggle to bridge the "valley of death" between pilot projects and market entry. A structured pathway: early-stage grants, mid-stage demonstrations, and late-stage scaling support, would help companies grow, attract private investment, and commercialize technologies in Ontario.

4. Strengthen support for business formation and scale-up

The GIF should incorporate business formation and commercialization supports, such as market assessments, mentorship, and facilitated partnerships with utilities, municipalities, or system operators. These supports would help innovators refine value propositions, validate business models, and access real-world testing environments, accelerating the growth of Ontario's clean energy and grid-technology sectors.

5. Improve accessibility for municipalities, Indigenous communities, and small innovators

Ontario should enhance accessibility to ensure that municipalities, Indigenous communities, and smaller innovators can participate fully in the GIF. Simplified application processes, capacity-building supports, and dedicated funding streams for community-led innovation would broaden participation and ensure that innovation benefits are distributed across the province. These groups often bring forward practical, place-based solutions well aligned with local system needs.

6. Enhance performance measurement and knowledge sharing

The GIF should adopt enhanced performance measurement frameworks, including standardized metrics, post-project evaluations, and public reporting. Innovation funding delivers the greatest value when lessons learned are widely shared. Publishing accessible summaries of project outcomes would help utilities, policymakers, and innovators understand what works, reduce duplication, and accelerate the scaling of successful solutions.

7. Establish a formal advisory committee for strategic guidance

Ontario should establish a formal advisory committee composed of representatives from utilities,

municipalities, Indigenous communities, academia, and industry innovators. This body would provide diverse perspectives, improve decision-making, and ensure funding priorities reflect real system needs. A structured advisory committee would also enhance transparency and stakeholder confidence.

8. Increase transparency in project selection and reporting

The GIF should strengthen transparency by publishing evaluation frameworks, scoring criteria, and regular updates on funded projects and outcomes. Greater transparency helps innovators understand expectations, reduces perceived subjectivity, and strengthens accountability, while also signaling to investors and partners that Ontario is committed to a fair and predictable innovation environment.

9. Align GIF priorities with long-term system planning

Ontario should ensure that GIF priorities are closely aligned with long-term system planning, including electrification forecasts, decarbonization pathways, and emerging grid reliability and flexibility needs. Strategic alignment ensures funded projects contribute meaningfully to system outcomes and helps innovators focus efforts where their solutions can deliver the greatest impact.

10. Modernize governance to support independence, agility, and accountability

Ontario should modernize GIF governance to balance independence with strategic oversight. Clear role delineation between the IESO, the Ministry of Energy, and external stakeholders is essential. Governance structures should enable regular updates to strategic priorities, timely adjustments to funding focus areas, and transparent decision-making processes to ensure the Fund remains agile and credible.

11. Scale innovation funding to reflect its societal value

Ontario currently invests approximately $9.5 million annually in the IESO-administered Grid Innovation Fund and more recently committed $30 million to the Hydrogen Innovation Fund. While valuable, these investments are modest when viewed alongside tens of billions of dollars in regulated assets, new generation investments, subsidies, and system revenues.

Given the potential of energy innovation to reduce system costs, improve resilience, mitigate climate impacts, and support new business formation, current funding levels significantly constrain opportunity. Ontario should consider alternative funding approaches—such as a modest volumetric levy on energy demand or production (inclusive of electricity and natural gas), or a small fixed annual surcharge per ratepayer account; to better align innovation funding with its potential societal and economic benefits.

Conclusion

Ontario stands at a pivotal moment in its energy transition. Strengthening the Grid Innovation Fund is not merely an administrative improvement, it is a strategic investment in the province's economic competitiveness, technological leadership, and long-term energy resilience. By adopting the recommendations outlined above, Ontario can foster an innovation environment that accelerates

technology development, supports local business growth, and ensures the electricity system remains reliable, affordable, and sustainable.

Thank you for considering these recommendations. I would welcome the opportunity to discuss them further or to contribute to ongoing consultations.

Sincerely,

David Carnegie, P.Eng., MBA
President and Chair
Ontario Society of Professional Engineers

Sandro Perruzza
Chief Executive Officer
Ontario Society of Professional Engineers

cc:

Independent Electricity System Operator (IESO)

Ontario Energy Board (OEB)