Feedback Form

Local Generation Program – April 23, 2025

Feedback Provided by:

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Existing contract number (if applicable): [redacted]

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:

Survey questions 1 through 9 are not applicable and have not been answered.

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)

N/A

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

☐ Yes

If yes, for how long?

N/A

☐ No

☐ Not sure

If not sure, what additional information do you need?

N/A

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

☐ Yes

If yes, what is the reason?

N/A

☐ No

☐ Not sure

If not sure, what additional information do you need?

N/A

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

N/A

Refurbishments, upgrades and expansions

6. Are you planning to refurbish, upgrade or expand your facility?

N/A

   a. If you are planning to change your facility, when would you want to do that?

      N/A

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.

N/A

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

N/A

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

N/A

Other Comments/Feedback

Topic:	Feedback
N/A	N/A

General Comments/Feedback

The Electricity Distributors Association (EDA) and Ontario Energy Association (OEA) welcome this opportunity to provide feedback on the IESO's Local Generation Program (LGP) high-level design.

1. **LDCs Should Lead Re-Contracting and New Contracting**

The EDA and OEA believe that Ontario's local distribution companies (LDCs) are best positioned to lead both re-contracting of existing distributed generation (DG) and the contracting of new DG resources. LDCs have deep visibility into the local value of existing assets within their distribution networks and can engage directly with facility owners on key issues such as refurbishment needs, term lengths, and future operational plans.

This leadership role aligns with the evolution toward Distribution System Operator (DSO) functions and future local energy markets. Further, a recent report from the United States Department of Energy, *Evolution of Sourcing Distribution Grid Services*, noted that "Shifting from traditional, bulk-power-focused DER use to local distribution-targeted applications is essential for deferring costly distribution infrastructure upgrades while ensuring grid reliability."

In addition, we believe that an approach that places LDCs at the forefront of recontracting and procurement efforts for distributed generation is well-aligned with the findings and recommendations of the IESO's Transmission and Distribution Coordination Working Group. In particular, it supports the Market Facilitator model proposed by the group, which envisions a more proactive role for LDCs in enabling local energy solutions, coordinating DER integration, and leveraging distribution-level insights to enhance system efficiency and value. By empowering LDCs to lead these efforts, the province can achieve more targeted, cost-effective, and grid-responsive resource development.

Overall, the EDA and OEA note that giving LDCs a leading role in the acquisition distributed supply resources is consistent with, and supports, advancing government policy as set out in the province's energy vision, *Ontario's Affordable Energy Future: The Pressing Case for More Power* (Ontario's Energy Future), which identifies affordability, reliability as well as "empowering energy consumers to participate in the grid," as priorities. In particular, Ontario's Energy Future states:

- There is an ongoing opportunity to expand the use of DERs where it is cost-effective and beneficial to meeting local and system needs.
- Customers would benefit from increased opportunities for customer-sited generation and storage that offers bill savings or resiliency benefits for residential, small business and farm customers.

2. **One Size Does Not Fit All Sizes or Technologies**

The EDA and OEA recommend a more nuanced approach to contracting with existing and new distributed supply resources.

For example, a 100 kW system and a 10 MW system have different characteristics, such as economies of scale. As a result, getting the best outcomes for the Ontario's system (bulk and local) and ratepayers requires targeted approaches. For example, processes should be streamlined for smaller-scale projects, recognizing that these projects often lack the resources for complex legal reviews, bidding processes, and/or technical analyses. Further, even requirements around "community support" should be scaled appropriately, e.g., whether municipalities should continue offering blanket support resolutions for small rooftop solar projects.

Similarly, a 100 kW rooftop solar system and a 10 MW biogas plant have vastly different capabilities, needs, and constraints. Different generation technologies (wind, solar, hydro, biogas, etc.) have distinct operating characteristics and value streams for both local and bulk system support. As a result, a tailored approach recognizing the strengths and limitations of each technology will better capture system value for the service provided.

For example, a recent report from the Lawrence Berkeley National Laboratory, *Distributed Energy Resource (DER) Integration Framework: Regulatory Innovation for DER Compensation and Cost Allocation*, argues for:

> "linking compensation to the specific grid services provided, this approach ensures fair and cost-reflective pricing, enabling a diverse range of technologies to participate in grid operations. It can support real-time operational needs, enhances grid reliability, and reduces the need for expensive infrastructure investments through better planning and optimization of existing assets."

The report notes further that "by enabling DERs to provide targeted grid services in response to system needs, utilities can defer or avoid costly infrastructure upgrades, such as substation expansions or new transmission lines."

The EDA and OEA believe a more nuanced and targeted approach would also better align the LGP with the government's priorities of affordability, reliability and empowering grid participation by consumers.

3. **Unlock Value from Existing Facilities**

There is a significant opportunity to enhance the value of existing DG assets through upgrades, uprates, and refurbishments. The EDA and OEA believe that incentive mechanisms should be put in place to support investments that improve asset performance and/or add capabilities, e.g. integrating energy storage. LDCs should be directly involved in coordinating the dispatch of local resources to meet local needs where beneficial, such as supporting reliability and/or deferring distribution system upgrades.

4. **Streamline Administration Through Portfolio Contracting**

The EDA and OEA recommend that the IESO consider allowing portfolios or aggregations of projects to be contracted under a single agreement, rather than requiring separate contracts for each facility. Allowing such an option would reduce administrative overhead and improve program efficiency.

5. **Re-Contracting Term Length Should Be Flexible**

The EDA and OEA believe that a fixed five-year re-contracting term may be arbitrary and misaligned with the operational life of some facilities. Facilities that can provide greater system value for the services provided and/or be upgraded for extended service should be eligible for longer terms. Flexibility in term lengths should be allowed, ideally based on customer input and alignment with Distribution System Plans. LDCs are well-suited to offer and manage this flexibility, which supports the government's position regarding customer choice as set out in Ontario's Energy Future, which states "As the grid evolves with the increasing adoption of DER, the policy framework too must evolve to support customer choice and reduce barriers to all types of DER investments that can support local energy needs and improve the efficient utilization of these resources within the energy system.

6. **Connection Availability Must Be Considered for New Projects**

The EDA and OEA recommend that the procurement of new projects should incorporate connection availability as an upfront consideration as well as other local distribution system conditions to ensure the overall outcome is cost effective. This can involve targeting areas with existing capacity, aligning DG connection locations with local benefits, and consideration of where distributed resources can support Non-Wires Solutions (NWS) needs.

Further, the EDA and OEA note that the *Evolution of Sourcing Distribution Grid Services* report referenced above recommends that when planning for DERs (including DG) "a distribution to bulk power system-oriented 'bottom-up' paradigm shift is important when developing strategies to manage and value DER integration and utilization, particularly in high DER and electrification scenarios. This will also allow for better optimization of DER integration and utilization across the power system."

7. **RFPs Unlikely to Deliver Lowest Cost**

Overall, the EDA and OEA are of the view that applying a traditional, inflexible and top-down RFP process for DG may result in higher transaction costs, create barriers for smaller players, and could also result in inflated costs due to risk premiums, administrative burdens, and a lack of alignment with local distribution system conditions. Standard RFPs may also stifle innovation and lead to delayed decisions.

The EDA and OEA believe the utilization of broader range of alternative procurement methods—such as standard offer programs, reverse auctions, location-specific procurements, bundled procurement, and competitive negotiations—should be considered to drive down costs, expand customer choice and participation, and improve overall affordability, reliability, resiliency outcomes that the government's energy policy is seeking to achieve.

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