

Long-Term 2 Energy Procurement RFP

AMO'S SUBMISSION TO THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Engagement Webinar regarding the Draft LT2 RFP and Contract

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Executive Summary

AMO appreciates the opportunity to comment on the draft RFP and contract for the Long-Term 2 Energy Procurement (LT2). Municipalities are important partners in energy planning, and a clean, reliable, affordable energy supply will support local communities and economic growth. This submission outlines feedback on proposed elements of the upcoming LT2 process that were discussed at the September 12, 2024, IESO stakeholder engagement webinar and the associated draft RFP and contracts.

AMO is pleased to see that much of our feedback to the IESO and Ministry of Energy and Electrification arising from municipal experiences with the previous Long-Term 1 Energy Procurement (LT1) has been included in the proposed approach to LT2. We are particularly pleased to see longer timelines for local engagement before the submission deadline. We continue to engage with our members on energy procurements and planning and this submission is based on their feedback.

Municipal Support Resolutions

Importance of Local Approvals

AMO strongly supports the continued requirement for municipalities to determine whether to host local projects through municipal support resolutions (MSRs) and local development approvals. We acknowledge the IESO's recent work to clarify the role of MSR requirement. This has helped build a greater understanding that MSRs serve as a moment-in-time expression of willingness to explore hosting an energy project and underlined the importance of proponents engaging early and often with municipalities to surface and address local concerns.

While the role of MSRs is now better understood, there remains some confusion among municipalities and project proponents about the role and expectations of downstream approvals, and the newly introduced agricultural impact assessments (AIAs). All parties need to understand that an MSR is not final municipal approval, and that – like any other local development project – energy projects are subject to local land-use, site planning, and building approvals. It is important that municipalities and project proponents know that failure to satisfy these local approvals may prevent a project from moving forward even if it has received a supportive MSR and a contract from the IESO.

Municipal-Developer Relations

We are pleased to see an increased focus on communicating the importance of early, frequent engagement from project proponents to municipalities. Positive and constructive relationships can help surface and address local concerns, increase the likelihood of local support for projects, and can help smooth downstream planning approvals. AMO supports the proposed “pre-engagement confirmation notice” which

would require project proponents to contact municipalities early in the process.

We encourage the IESO to make explicit that this step is not simply a formality, but instead, it serves as an essential opportunity for project proponents and municipalities to discuss the scope of a project, local expectations for engagement, likely concerns to be raised locally, and what a post-MSR development application process will include. This is particularly important because of the high level of public scrutiny towards energy projects and procurements. While it is ultimately up to proponents to adequately respond to local questions, early and frequent engagement can build trust in proposed projects and the procurement process.

Land-Use Planning and Siting

Agricultural Protection

AMO strongly supports agricultural protection measures outlined in the joint letter from the former Ministers of Energy, and Agricultural, Food and Rural Affairs on June 6, 2024. Municipalities are concerned that without responsible land-use protections, energy projects can cause lasting impacts to agricultural production. The proposed AIA requirement for projects located in prime agricultural areas is a step in the right direction. However, the implementation of this requirement will be critical to its success.

We note that as recently as the September 12 webinar, there is confusion about the responsibility for AIAs. We recommend that clarity be provided to project proponents and municipalities that:

- project proponents are responsible for preparing, financing, and delivering the AIA to the municipality subject to any requirements identified by the province regarding the form or content of the AIA, and;
- project proponents are responsible for the cost and delivery of any measures identified by the AIA or municipality to mitigate impacts to agricultural land.

Municipalities are not experts in energy technology and may not have the expertise or resources necessary to assess and determine appropriate mitigation measures. For AIAs to successfully protect agricultural land, we strongly recommend that IESO and the province work together to provide technical and financial support to municipalities to assess proposals, AIA contents, and mitigation approaches.

Project Location Incentives

Crown Land

AMO understands that the Province has directed the IESO to incentivize projects in Northern Ontario, on Crown Land, and located in Indigenous communities through the awarding of rated criteria points during project review. AMO is supportive of efforts to ensure that Northern and Indigenous communities are able to participate in, and benefit from, growing Ontario's energy supply.

We understand that all projects located on Crown Land will be required to obtain endorsement from the Ministry of Natural Resources and that projects on Crown Land within municipal boundaries will also require an MSR. We strongly support ensuring that municipalities retain approval over projects sited within their boundaries, even if they are located on Crown Land.

However, we also note that municipalities may not have the same opportunity for downstream land-use or site planning approvals for projects located on Crown Land. Consideration needs to be given to ensuring that municipalities have all the relevant information regarding anticipated site design and potential community impacts early in the MSR process in these cases to ensure that sound decisions can be made.

Indigenous Participation

Municipalities have ongoing relationships with Indigenous communities on a wide range of matters, and local decisions of support for or against energy projects can influence these relationships. AMO continues to support incentives for project proponents to demonstrate Indigenous support or participation in energy projects.

Municipalities are interested in understanding what engagement has taken place with all local Indigenous communities, what the outcomes of those engagements are, and what issues they raised include. This information is critical to both informing decision-making on MSRs and maintaining a broader positive relationship between municipalities and Indigenous communities. We encourage the IESO to direct project proponents to provide this information to municipalities before an MSR is issued.

Municipalities have also expressed concern the procurement process is not clear on where the responsibility to fulfill Duty to Consult obligations falls. We recommend that the IESO seek direction from the Province regarding how this important Crown responsibility is to be met under the procurement process, and communicate it clearly to proponents. We also recommend that a mechanism be put in place for the Province to assess if Duty to Consult requirements have been fulfilled before a contract is finalized.

Community Benefit Agreements

Municipalities incur costs to provide services to energy project locations which may include road improvements to facilitate site access, water/wastewater infrastructure, and costs for fire response including training and equipment. Unlike other types of development, these costs are not offset by long-term economic benefits to communities such as local growth, or employment opportunities for residents.

Although some municipalities have been offered community benefit agreements (CBAs) as a form of financial compensation to offset these costs, others were not aware that CBAs are allowed under the procurement process. AMO believes that the best approach to energy CBAs would set out clear expectations for energy proponents and municipalities to work together to negotiate terms to offset the costs of hosting projects, and benefit from being willing host communities.

IESO and the Province should strongly encourage energy project proponents to proactively offer CBAs which should include compensation for costs incurred to negotiate agreements. This could include developing a sample CBA framework that could be used as a starting point for negotiations and help normalize energy CBAs as an approach to unlock potential benefits for communities that choose to play an active role in supporting Ontario's energy supply.

Conclusion

AMO is pleased to see that the important role of municipalities in supporting the energy grid is being recognized. Municipalities recognize this role and look forward to supporting the IESO's approach of ongoing, cadenced procurements.

In addition to the feedback included in this submission, we also encourage the IESO to give strong consideration to any feedback submitted by municipalities; particularly those who have experiences with previous procurements. This will help ensure that local impacts and concerns are accounted for in the design of LT2.

AMO is happy to continue to provide ongoing input into design considerations for LT2 and future procurements to help ensure municipalities are equipped to make sound decisions and are active participants in growing Ontario's electricity grid.