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March 28, 2019

Ontario Ministry of Environment, Conservation and Parks
ATTN: Vicky La
Financial Instruments Unit
77 Wellesley Street West
Toronto, ON M7A 2T5
Via: Feedback – ero.ontario.ca/notice/013-4551

RE: Feedback to Ontario Regulatory Proposal – Emissions Performance Standard (ERO Number: 013-4551)

Dear Sir or Madam,

On behalf of the International District Energy Association (IDEA) I am submitting feedback to the Ontario Ministry of Environment, Conservation and Parks (MECP)'s regulatory proposal for the development of Ontario's Emission Performance Standard (EPS).

The following thirteen (13) of our Canadian member organizations concur and support the tenets of this submission. As organizations who own and operate district energy systems or conduct business in Ontario, we all strongly support the inclusion of thermal energy supply as a covered sector under the Ontario EPS, provided that it includes providers of thermal energy (steam, hot water and chilled water) to industry, residential, commercial and institutional users.

Cascara Energy
Toronto, Ontario

CHA Canada
St. Catharines, Ontario

Corix Utilities
Vancouver, British Columbia

Creative Energy
Vancouver, British Columbia

Doherty Engineering Inc.
Mississauga, Ontario

Enwave Energy Corporation
Toronto, Ontario

EPS AB Energy Canada Ltd.
Guelph, Ontario

FVB Energy
Vaughn, Ontario

GSS Integrated Energy Ltd.
Edmonton, Alberta

H.H. Angus & Associates
Toronto, Ontario

Markham District Energy Inc.
Markham, Ontario

Noventa Energy Partners
Toronto, Ontario

Rathco ENG Ltd.
Guelph, Ontario

About IDEA:

Founded in 1909, IDEA represents more than 2,500 members from approximately 26 countries around the world and from across the district energy industry. IDEA members own, operate or provide technology and services to district energy systems that supply steam, hot water, chilled water and energy

services to multiple buildings in cities, communities, campuses, airports, military bases, industry and healthcare facilities.

Background:

District energy systems supply hot water or steam and chilled water to customer buildings via underground piping networks to be used for space heating, domestic hot water, air conditioning and industrial process energy. Systems that include CHP also deliver electricity.

There are many benefits of district energy, including:

- Harnessing economies of scale
- Reducing GHGs
- Lowering energy costs
- Enabling fuel switching
- Increasing resiliency
- Relieving strain on the electricity grid

As of 2016, 2,863 buildings in Canada were served by district energy, resulting in 5.9 million MWh of delivered thermal energy annually. Additionally, 28% of the district energy systems are owned by public institutions, such as academic institutions and healthcare campuses.

Proposed treatment under the Ontario EPS:

Ontario's regulatory proposal outlined its intention to regulate several specific sectors, focused on the large emitters within those sectors. The proposal also indicated that Ontario is also considering including additional sectors in Ontario's program, including thermal energy supply; it would include providers of steam and other thermal energy to industry and commercial/institutional users.

Should thermal energy supply be added to the list of regulated sectors, its coverage would start with the 2020 emissions year.

Position of IDEA:

IDEA strongly supports the inclusion of thermal energy supply as a covered sector, provided it includes providers of steam and district hot water services to industry and commercial/institutional users.

District energy system thermal output typically displaces less efficient single-building boilers, which often operate at part-load and cycle frequently, especially during the shoulder months of March, April, May and September, October and November. The electricity output from district energy CHP systems displaces marginal plants across Ontario, which are typically the most carbon-intensive, including and natural gas. This displacement should be recognized and valued within the carbon pricing regulation design.

Absent the inclusion of thermal energy supply in the Ontario EPS program (and pending the legal challenge to the federal carbon pricing system), the federal carbon pricing system – as it is currently proposed - adds significant costs to energy usage by municipalities, universities, schools and hospitals (the MUSH sector) as well as commercial buildings. Owners are facing rising natural gas costs on the one hand and potential electricity cost increases on the other as fuel-switching occurs at scale. They are caught between the rising costs of the status quo and an expensive short-term transition to electricity.

IDEA and its members believe that on the strength of the many societal benefits of district energy, including reducing GHGs, lowering energy costs, increasing resilience and supporting long term sustainability, there is compelling reason to include the thermal output of district energy systems under the proposed Ontario EPS. The following points justify this position.

1. Canada must transition gradually to a new energy future.
   - District energy is a holistic systems approach that drives improved energy efficiency at a large scale in the short-term while enabling fuel switching over time. It is the 'interim step' that Ontario needs to put the built environment on a more sustainable pathway of de-carbonization.

2. District energy provides an effective pathway that energy consumers support.
   - District energy systems give the MUSH sector and commercial buildings a pathway to meaningfully mitigate carbon costs by moving to a more efficient, resilient system today. Many colleges and universities currently rely on district energy for its capital savings, energy efficiency, economies of scale, inherent resiliency advantages and the advantages of optimizing space in connected buildings. Research institutions, healthcare, local governments and the federal government in Ottawa all currently rely on district energy systems and would be exposed to increased compliance costs unless the sector is covered.

3. District energy enables fuel switching at scale and reduces peak power demands on the grid.
   - By aggregating the thermal energy requirements of many buildings, district energy systems create the economies of scale necessary to integrate local, low-carbon/renewable energy sources in order to achieve large-scale, cost-effective emission reductions that individual homeowners and buildings cannot achieve individually.

4. The organic growth of district energy is insufficient and must be accelerated.
   - Legislative tools, like the proposed provincial EPS, are a means to drive widespread energy system change and create effective tangible policy incentives to support cities, communities and campuses seeking to deploy solutions for enhanced resiliency, carbon reduction and economic competitiveness.

Conclusion:

IDEA submits that district energy systems are good for Ontario and Ontario building owners. The MUSH sector and commercial buildings must move to district energy systems quickly and at a massive scale if we are to achieve Ontario's climate commitments.

The proposed Ontario EPS program is a regulatory mechanism that can expedite this change. Inclusion of thermal energy will help the MUSH sector and commercial building owners manage carbon costs in the short term while enabling a successful energy transition for Ontario's local economies. Thank you again for the opportunity to submit feedback to this important regulatory process.

Yours sincerely,

Robert P. Thornton
President & CEO, IDEA