November 22nd, 2020

Ministry of Energy, Northern Development & Mines ("ENDM")
c/o: Conservation & Renewable Energy Division
77 Grenville Street
Toronto, Ontario M7A 2C1

Subject: ERO #019-2531 – Changes to Ontario's Net Metering Regulation to Support Community-Based Energy Systems

Background & Recommendations

Thank you for the opportunity to comment on the proposed changes to Ontario's Net Metering Regulation to Support Community-Based Energy Systems.

The ENDM's ERO #019 2531 regarding the Changes to Ontario's Net Metering Regulation to Support Community-Based Energy Systems, is an excellent, cost-effective means to deploy renewable energy projects and enabling access to various entities that would otherwise not have access to these projects. Further, Community Net Metering ("CNM") is a key opportunity to engage Ontario LDCs and their shareholder Municipalities along with their respective residences, businesses and community partners to build sustainable projects that will deliver long term monetary and environmental benefits. Essex Power Corporation ("EPC") has been studying CNM for a number of years and as a result, EPC would like to recommend the following concepts:

- An open, fair and transparent process for the selection of pilot projects;
- Prioritization of community-based projects that incorporate municipal/LDC collaboration;
- Prioritization of simpler CNM ownership/partnership models. While many different CNM models exist, EPC supports the single generator model for the purpose of the CNM pilot. Other constructs can become overly complex and should be considered after simpler projects are successfully validated through this pilot project;
- Prioritization of projects that propose a single LDC settlement model and the most straightforward/simplest means of customer settlement;
- Prioritization of projects that have a LDC commitment to participate or an established LDC partnership;
- Prioritization of projects that incorporate brownfield, repurposed or other non-prime agricultural sites;

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Proposed Project

Given EPC's longstanding experience researching CNM projects, EPC would like to highlight a proposed project type that would meet all of the ENDM's goals for innovation in the energy sector and rate payer cost effectiveness while also satisfying every recommendation that EPC proposes in this correspondence. Further, a project of this type would also succeed at satisfying needs established in regional energy plans while also hedging local municipal energy costs. While EPC is aware and supportive of various Smart Center type CNM models, EPC strongly recommends inclusion of a single solar PV facility with simpler and more straightforward settlement mechanisms (single LDC common across multiple load sites) in order to validate the multitude of CNM project merits. Other, more complicated CNM models should be explored as a progression at a later time.

To illustrate the recommendations, consider a potential project located in Essex County, Ontario on a long-vacant Brownfield site. Included is a brief description of the roles that each of the Partnership entities could play as it relates to the business model for this project. A high-level visual representation of the project can be found below in Figure 1.

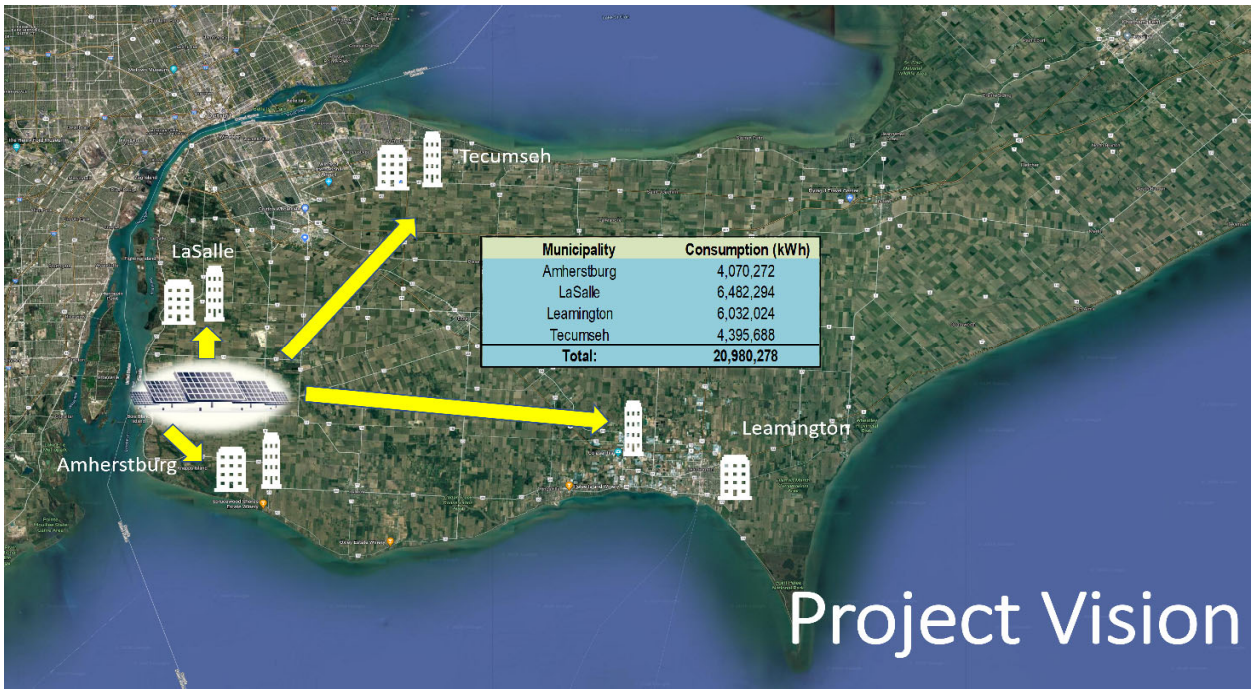

Figure 1 – Project Vision – Essex County CNM Project

Municipalities

The municipalities will lease the solar PV equipment (from Essex Energy Corporation ("EEC"), the Solar PV system owner). The lease will be comprised of two components;

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1. Upfront Payment. As with most leases, the municipality will be afforded the opportunity to make an upfront payment. The magnitude of the upfront payment will have an impact on the ongoing monthly payments. As the magnitude of the upfront payment increases, the magnitude of the ongoing monthly payments decreases (consistent with typical lease arrangements).

2. Ongoing Monthly Payments. The municipality will pay ongoing monthly payments that will be calculated based on (a) the magnitude of the upfront payment, and (b) the number of kWh's produced by the solar PV facility for the given month. The upfront payment will determine the overall "scale" of the ongoing monthly payment, while the number of kWh's produced monthly will determine the relative monthly fluctuation of the ongoing payments.

As a result of leasing the solar PV facility, the municipality will use the facility to enjoy full access to the emission-free kWh's produced as well as the GHG and financial savings they represent. The financial savings will be realized via the CNM process and reflected on the bills for the existing electricity accounts being offset. .

For clarity, the net financial savings the municipality will achieve is the difference between the CNM savings and the solar PV equipment lease payments. Figure 2 provides a helpful schematic representation. Also, by leasing the solar PV facility, the municipality will reduce its exposure to risk associated with asset ownership while enjoying 100% of the GHG reductions. The asset risk will lie with the solar PV system owner and expert, EEC (for clarity, EEC is a wholly-owned affiliate of EPC and is an unregulated municipal corporation).

In this example, each municipality will lease 25% of the solar PV equipment. Given there are 4 municipalities in this example Partnership, this gives each participant equal share of the benefit of the solar PV asset.

Essex Energy Corporation (Wholly Owned by EPC)

EEC will engineer, procure, construct, commission, own, and maintain the solar PV facility. EEC will lease the solar PV equipment to the municipalities in the manner described above in order to reasonably support long-term community ownership of the asset.

Essex Powerlines Corporation ("EPL") (Wholly Owned by EPC)

EPL will provide ongoing settlement support for the CNM process that will be an integral component of the business model. EPL will also work with the Partnership, the IESO, and others to ensure the project is in position to be selected as a pilot project for CNM. This project has already been presented to the IESO and the Ministry of Energy and received favourable feedback. Figure 2 illustrates how the Partnership will interact given the various roles and given CNM and the solar PV equipment lease arrangements. In this example and for simplicity, a 4MW centrally-located solar PV facility is used however this site could be larger or smaller depending on the needs of the community and municipal partners.

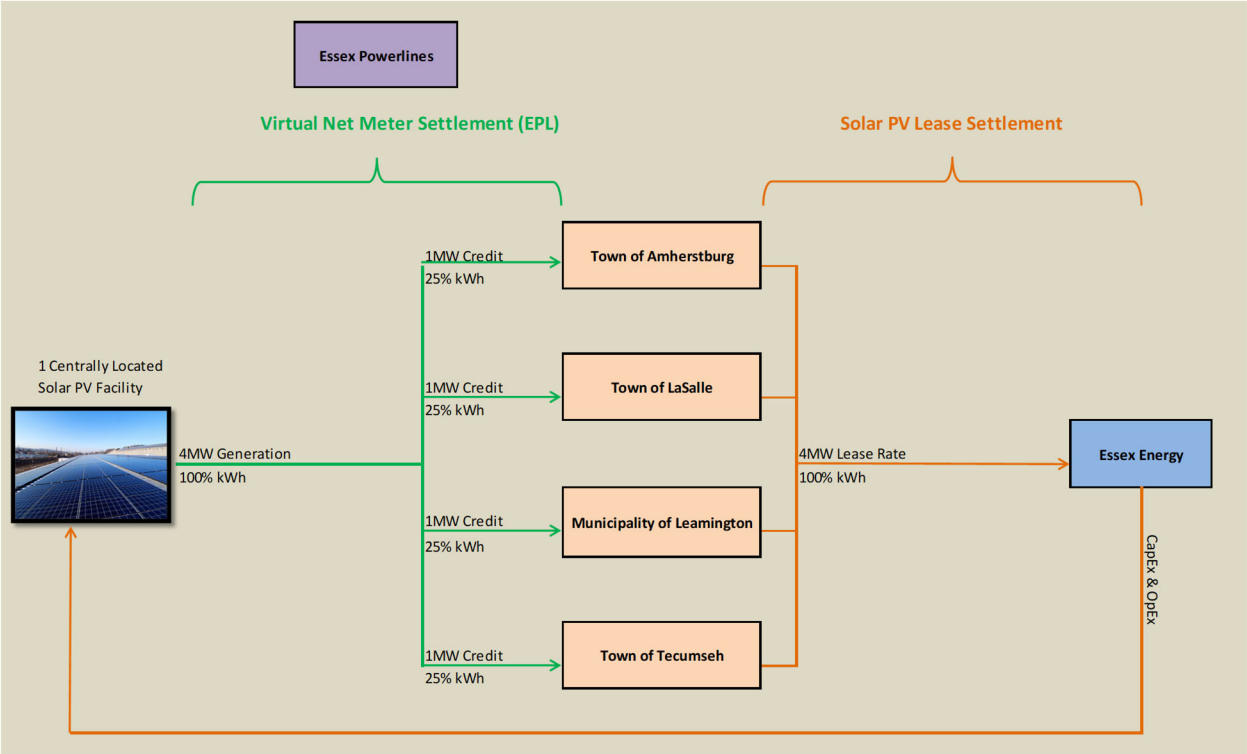

Figure 2 – Proposed VNM Ownership and Settlement Structure

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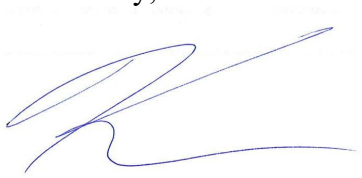
Note that, while a lease is suggested as a means of settlement between the generation asset owner and the municipality, a Power Purchase Agreement ("PPA") could just as easily be employed covering the same function.

We trust this information is helpful and would greatly appreciate the opportunity to meet directly with the ENDM and provide further detail and discussion around this topic.

Yours truly,



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