

July 11, 2021

Melissa Ollevier
Ontario Ministry of Environment, Conservation and Parks
Financial Instruments Branch
6th Floor, 40 St. Clair Avenue West
Toronto, ON
M4V 1M2
Canada

RE: Capital Power Comments on Amendments to Ontario's Emissions Performance Standards Program

Dear Ms. Ollevier,

Capital Power Corporation ("Capital Power") is pleased to provide for consideration by the Ministry of Environment, Conservation and Parks ("MECP") the following submission providing Capital Power's perspectives regarding amendments to Ontario's Emissions Performance Standards program ("EPS").

The MECP is proposing to amend the following regulations:

- *Greenhouse Gas Emissions Performance Standards Regulation (O. Reg. 241/19 or the "EPS Regulation")* and the incorporated Greenhouse Gas ("GHG") emissions performance standards and methodology for the determination of the total annual emissions.
- *Greenhouse Gas Emissions: Quantification, Reporting and Verification Regulation (O. Reg. 390/18 or the "Reporting Regulation")* and the incorporated guideline for quantification, reporting and verification of greenhouse gas emissions.

Capital Power currently owns, operates and has interests in 5 facilities in Ontario representing over 1300 MW of capacity. Capital Power's thermal operations in Ontario are the East Windsor Cogeneration Centre and Goreway Power Station, which are wholly owned, and the York Energy Centre in which Capital Power has joint interest and serves as operator. Capital Power also owns and operates the Kingsbridge 1 and Port Dover and Nanticoke wind generation facilities. Accordingly, Capital Power has an interest in and stands to be impacted by the transition to the EPS.

On January 15, 2021, Capital Power submitted to the MECP our perspectives regarding transitioning Ontario industrial facilities from the federal Output-Based Pricing System ("OBPS") to the EPS. The positions expressed by Capital Power in that submission regarding the various EPS design considerations continue to reflect our views on this issue. The key points of our January 15, 2021 submission are summarized briefly below for ease of reference, and Capital Power refers the MECP to our previous submission for our detailed comments:

Regarding the electricity benchmark, Capital Power believes the current EPS electricity benchmark of 0.42 tonnes of carbon dioxide equivalent per megawatt-hour ("tCO₂e/MWh") is appropriate for Ontario's electricity market and balances environmental objectives with ratepayer considerations. The proposed EPS electricity benchmark of 0.37 tCO₂e/MWh is not representative of the level of the most efficient units in Ontario, and – given the contracted nature of Ontario's generation and the broader structure of Ontario's electricity framework – would likely have negligible incremental impact for dispatch and related emissions levels but would result in additional costs to ratepayers.

The EPS should be revenue neutral. The carbon tax proceeds should be returned to industry to invest in GHG emission reduction projects that meet specific criteria developed by the Government of Ontario ("Government"). As described more fully in Capital Power's January 15, 2021 comments, we propose a new concept for allocating the

Excess Emission Units that we believe would accelerate investments in GHG emerging technologies at commercial scale.

The Government should allow offsets as a compliance option under the EPS and should adopt the federal offset system for the purposes of the EPS. Adopting the federal offset system will allow Ontario facilities access to offset projects in different provinces, avoid duplicating the efforts to develop a stand-alone provincial program and reduce the future administrative cost to maintain the offset program.

GHG emissions from imported electricity should be subject to the same GHG charges that Ontario generators are subject to in order to ensure a level playing field and also avoid carbon leakage and resource shuffling that might otherwise arise. Capital Power remains concerned that the EPS as currently proposed would not recognize carbon emissions from imported electricity.

Capital Power appreciates the opportunity to provide its comments regarding this important initiative. Please contact me at (780) 221-2354 if you have any questions or wish to discuss the foregoing comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Ahmed Idriss", written over a horizontal line.

Ahmed Idriss, Ph.D., P.Eng
Director, Environmental Policy

cc. Tom Johnson, Director, Financial Instruments Branch, MECP
Patrick Fancott, Director, Climate Change Policy Branch, MECP
Craig Mazin, Project Manager, Climate Change Policy Branch, MECP
Daniel Jurijew, Vice President, Government Relations, Regulatory & Environmental Policy, Capital Power