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September 16, 2022

Attn: Maryanna Lewyckyj, Senior Policy Advisor
Renewable Facilitation and Analysis Unit
Ministry of Energy
5th Floor, 77 Grenville St.
Toronto, ON M7A 2C1

Submitted online via: Environmental Registry of Ontario

Dear Ms. Lewyckyj,

Re: ERO # 019-5816: Development of a Clean Energy Credit Registry

The Ministry of Energy (the "Ministry") is seeking input from stakeholders by September 16, 2022 on a proposal to introduce a clean energy credit ("CEC") registry and associated processes to support the creation, recognition, tracking and retirement of voluntarily purchased CECs within the province.

Capital Power is supportive of the Ministry's efforts to develop a voluntary clean energy market in Ontario. We participated in stakeholder engagement and technical sessions conducted by the Independent Electricity System Operator ("IESO") earlier this year and submitted written feedback to the IESO on March 17, 2022 and May 5, 2022. The following comments summarize and reiterate key feedback provided to the IESO during its engagement and provide our initial views on the Ministry's proposed legislative changes.

Company Overview

Capital Power is a growth-oriented North American wholesale power producer with a strategic focus on sustainable energy headquartered in Edmonton, Alberta. We build, own and operate high-quality, utility-scale generation facilities that include renewables and thermal and employ roughly 700 employees across Canada. Capital Power owns approximately 6,600 megawatts ("MW") of power generation capacity at 27 facilities across North America, including three natural gas-fired and two wind-powered facilities in Ontario, representing ~1,300 MW. We are committed to being net carbon neutral across our power generation portfolio by 2050 and have experience trading and transacting in North American environmental markets as well as working with commercial and industrial customers to provide power solutions to meet their needs and ESG goals.

Views on Registry Design

In our March 17 Feedback Form to the IESO, Capital Power outlined several best practices related to clean energy registry design based on our experience, including: the importance of distinction by fuel type; identification of third-party certification; finality with respect to retirement; and employment of standard practices with respect to vintaging, tracking and transferability. The

IESO's April 21 Presentation captures this feedback well as does the Ministry's summary of basic features of a registry in this posting.

Capital Power acknowledges that the Ministry's direction at this time is for initial design of a CEC registry to be scoped to Ontario. Capital Power also acknowledges that both the IESO and the Ministry have recognized the value of aligning design of an Ontario CEC registry with standard practices to allow for potential future expansion and cross-border trading. That said, Capital Power remains of the view that there would be significant value in the Ministry and/or IESO exploring options for Ontario to join an existing tracking and trading system such as M-RETs, NAR, or WREGIS. Use of an existing registry would not only provide operational and administrative efficiencies, but it would also help to ensure a broader market for credits and that credits would be viewed credibly by buyers, shareholders, and ESG reporting agencies.

Views on Implementation

The IESO's second round of engagement on this initiative identified several options for implementing a clean energy credit registry in Ontario. Capital Power believes that the IESO's Option 1a – "free unbundled distribution" may be the best approach for dealing with the environmental attributes associated with existing renewable assets under contract with the IESO whereby the IESO retains ownership of those attributes. This approach will help avoid any impacts to the residual supply mix for existing customers and at the same time provide them with value for the renewable energy they have paid to build. This approach also avoids the risk of "green washing" and double counting as noted by the IESO. Option 1a would satisfy the primary goal of enabling economic development by introducing a tool to help companies operating and consuming energy in Ontario to meet their clean energy goals without adding new and unnecessary risk or complexity to the market.

A variation of the IESO's Option 1a that would be worthwhile considering is free unbundled distribution of credits but instead of the IESO automatically retiring the credits on behalf of load, allowing load entities to make their own decision whether to retire the credits or sell them to other parties. This refinement would allow greater optionality and could create additional opportunities for loads to green their full consumption. This variation would introduce some level of residual supply mix risk for existing customers, but it would be at the customer's discretion.

While such options make sense for dealing with the environmental attributes associated with existing renewables under contract with the IESO, Capital Power believes that a separate approach will be necessary for valuing environmental attributes associated with newly procured and re-contracted renewable assets on a go-forward basis. Capital Power recommends that this issue be the subject of future IESO consultation. A key consideration for ensuring a workable go-forward approach will be ensuring that any risk taken on by developers related to the value of these attributes is a risk that can be reasonably managed commercially. In this sense, it will be critical to have a well-functioning and competitive credit market in place or to have some sort of back-stop provided by the IESO.

Given that development of a go-forward approach will require additional consultation and evaluation, it would not make sense to incorporate such an approach in to the IESO's existing Long-Term and Expedited RFPs, as this would introduce the risk of delay. If the IESO does consider procuring new renewable assets in these processes, it would make sense for the IESO to continue to retain ownership of environmental attributes and value them via Option 1a or the proposed variation to 1a outlined above. Regardless of the chosen option for implementation, Capital Power does not support a mandatory "opening" of existing contracts to deal with environmental attributes. Any “opening” of contracts must be on a voluntary basis, subject to agreement of contracting parties.

Views on Proposed Legislative Changes

Capital Power is generally supportive of the high-level legislative changes proposed by the Ministry in this posting to enable a CEC registry in Ontario with one exception. We believe that it may be inappropriate to provide the IESO with both the authority for establishing and administering the registry and also the authority to act as a market participant within the registry. Use of a third party should be considered to avoid potential conflicts of interest.

Capital Power appreciates the opportunity to submit comments on this initiative and looks forward to continuing to work with the Ministry on development of a CEC registry. Should you have any questions related to this submission or wish to discuss, please contact me directly at 780-691-0064 or gberry@capitalpower.com.

Regards,

Grant Berry
Director, Government Relations

cc: D. Jurijew, Vice President, Government Relations, Regulatory and Environmental Policy