

February 12, 2024

Lesley Gallinger
Chief Executive Officer and President
Independent Electricity Systems Operator
1600 – 120 Adelaide Street West
Toronto, ON M5H 1T1

Sent by email to: Lesley.Gallinger@ieso.ca

Dear Lesley Gallinger,

Municipal governments are committed to continuing work with energy partners to support a transition to a clean, sustainable, affordable energy system to meet the needs of our communities. We understand, the Independent Electricity System Operator's (IESO's) Long-Term 1 Procurement (LT1) submission deadline passed in December and the IESO is now reviewing proposal submissions. AMO is pleased that IESO continues to recognize the importance of ensuring there is municipal support before a proposed project before it can proceed.

Municipal officials take seriously the important role that local governments have been asked to perform in the energy procurement process. While considering requests for support resolutions, municipal officials have surfaced important questions regarding energy projects that were not able to be answered before the LT1 submission deadline. As a result, many councils felt they had no choice but to withhold their support for these projects due to a lack of information. These questions include:

- Understanding and addressing new safety concerns, such as the risk and containment of fire in lithium-battery storage facilities;
- Balancing the need for energy with the importance of maintaining prime agricultural land; and,
- How gas-fired generation plants fit into the province's long-term energy planning.

AMO understands that you are now seeking feedback to inform the design of the next long-term procurement (LT2). While the identified policy questions are not within the purview of IESO, we have received feedback regarding challenges municipalities have experienced that hinder the ability to obtain answers to these questions. IESO has an opportunity to address these challenges and better position municipalities to make informed decisions about energy projects.

Capacity and Expertise Constraints

Although some municipalities have dedicated staff with backgrounds in energy planning, most municipalities do not have this level of technical expertise. Further, in most cases the staff responsible for energy planning balance this work with other important responsibilities. Limited capacity and lack of technical expertise makes it difficult to conduct thorough assessments of projects and leaves municipalities without the information needed to make informed decisions.

We understand that in November 2023, the Minister of Energy wrote to IESO highlighting similar concerns and asking that IESO be available to municipalities to answer questions regarding the needs of the Ontario electricity system and the province's goals of growing a reliable, affordable

and clean electricity system. AMO has heard that since this letter was sent, senior staff and elected officials feel they have had opportunities to participate in IESO education sessions, but that there are not similar opportunities targeted to the general public. As a result, many residents' first – or only – exposure to information about the energy sector and Ontario's energy needs is coming from project proponents and is perceived as being biased.

AMO recommends that IESO continue proactive outreach to municipalities to build information about the energy system, and that IESO seek opportunities to engage with the broader public, in particular where councils are considering requests for municipal support resolutions. This could include participation at proponents' town halls, or at council meetings. Municipalities are prepared to help facilitate IESO's participation in local engagement to help increase opportunities to ensure our officials and the public have the information needed to participate in informed discussions about the role these projects play in supporting Ontario's energy needs when considering specific projects.

Timing Constraints

We understand that proponents are not required to demonstrate municipal support until several months after being awarded a contract by IESO. However, municipalities have heard from many proponents that they will not proceed with projects unless they have support prior to the procurement submission deadline due in order to mitigate the potential financial impact of investing in a project only to have support declined late in the process.

It is ultimately up to proponents to determine whether to move forward with a project and to manage how and when they seek municipal support. However, the different project submission and municipal support deadlines creates a situation where the needs of proponents and municipalities are misaligned. In to ensure all energy partners are working on the same timelines, AMO recommends that municipal support be required prior to submitting a project proposal to IESO. This change should be balanced with a longer time frame between the launch of the RFP and the submission deadline to ensure sufficient time for community consultation.

We understand that IESO already provides guidance to proponents regarding the municipal support requirement. There is however an opportunity to enhance this guidance by providing information to proponents about key considerations when planning outreach to municipalities. These considerations include:

- Ensuring that sufficient time is provided for municipalities to review proposed project in order to identify and answer key questions about project suitability, safety, and impacts on the community. Multiple meetings may be required over several weeks ensure that councils have all the information needed to make informed decisions.
- Ensuring that sufficient notice is given to members of the community regarding information sessions. Particularly in rural, northern and remote communities, proponents should consider a large notice radius including contacting residents in neighbouring communities who may be affected by noise or environmental impacts of projects.
- Ensuring that opportunities for communities that are impacted by projects but are not the host municipality to receive information about the project. Host municipalities may need to consult with neighbouring municipalities to inform their decisions. For example, where a municipality has a shared services or mutual aid agreement with a neighbouring municipality, they have a responsibility to explore the potential impact of an energy project on this agreement.

Community Benefit Agreements

Municipalities understand their important role in supporting Ontario's energy sector including hosting energy generation and storage facilities where appropriate. Although these projects benefit all of Ontario, they often come with increased costs to host municipalities through increased demands on local infrastructure and services including wear and tear on roads for construction and maintenance vehicles, water servicing for fire suppression systems, and monitoring bylaw compliance and noise complaints.

AMO is pleased to see that many energy project proponents offer community benefit agreements (CBAs) to help offset the costs of these services and provide direct financial benefit to host municipalities. However, these agreements are not always offered and the terms are often inconsistent between communities.

AMO recommends that IESO make CBAs mandatory for the LT2 procurement and consider providing a template agreement that can be used as a starting point for negotiations. Increased use of CBAs will help mitigate municipal costs incurred to host energy projects and could increase the likelihood that projects are deemed to be a net benefit to communities.

Conclusion

AMO is pleased that IESO remains committed to ensuring that municipalities have a clearly defined role in the ongoing energy procurements and to only moving forward with projects that have received municipal support.

Municipalities take the important role that they play in the procurement process seriously. Municipal decision makers must be able to determine whether the projects are safe, sustainable, provide value, and meet the needs of their communities. Efforts to address the challenges municipalities have identified in seeking to resolve questions about energy projects in collaboration with energy partners will lead to a better, safer energy system.

AMO looks forward to working with energy partners to address these important questions so that municipalities are positioned to give support to more projects moving forward.

Sincerely,



Colin Best
AMO President

Cc:

Hon. Todd Smith, Minister of Energy

Carla Nell, Vice President, Independent Electricity System Operator