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May 19, 2021

Mr. Chuck Farmer
Senior Director, Power System Planning
Independent Electricity System Operator
Toronto, Ontario

Dear Mr. Farmer:

Re: IESO's Gas Plant Phase-Out Impact Assessment

We are very pleased that the IESO has committed to undertaking a comprehensive assessment of how Ontario can phase-out its gas-fired power plants.

According to your power point presentation for the IESO's May 27, 2021 public engagement webinar, the IESO is planning to evaluate the following three scenarios.

Scenario 1: Complete phase-out of gas by 2030 with a supply mix approach of new resources, in response to municipal council resolutions.

Scenario 2: A market-based approach that examines the potential for higher gas prices to reduce the utilization of the gas fleet to reduce emissions by 2030 and to provide market signals to clean energy projects.

Scenario 3: Reduce emissions by 2030 with a supply mix approach of new resources.

We are writing to you today to provide you with our initial feedback with respect to your proposed assessment.

Scenario 1 Feedback

1. We strongly support the IESO's proposal to assess how Ontario can achieve a complete phase-out of its gas plants by 2030.

2. To limit the long-term increase in global temperatures to 1.5 degrees Celsius, we must also start to significantly reduce our greenhouse gas pollution before 2030. As a consequence, eighteen Ontario municipalities have passed resolutions requesting the Government of Ontario to return our gas plants' annual greenhouse gas (GHG) pollution to their 2017 level (2.5 million tonnes) as soon as possible.

Therefore, we request that the IESO also assess how Ontario can cap the gas plants' annual GHG pollution at their 2017 level as soon as possible by: increasing our imports of Quebec waterpower using our existing transmission lines; curtailing gas-fired electricity exports; ramping up the IESO's energy efficiency programs and budgets; and using a competitive process to procure new wind and solar electricity supplies at the lowest possible cost.

3. We are recommending that Ontario phase-out its gas-fired power plants using an integrated and balanced combination of energy efficiency and demand response; wind and solar energy; and Quebec renewable electricity and storage resources.

Therefore, we request the IESO assess a supply mix portfolio(s) that includes a balanced combination of energy efficiency and demand response; wind and solar energy; and Quebec renewable electricity and storage resources.

4. According to the Financial Accountability Office of Ontario:

“Quebec generates a large surplus of electricity, primarily from emissions free hydroelectric generating stations, and electricity prices in Quebec are the lowest in Canada. The proximity of Quebec to Ontario's major cities presents an attractive opportunity for Ontario to meet its electricity needs with imports from Quebec.”¹

According to a Massachusetts Institute of Technology (MIT) report, Quebec's existing hydroelectric reservoirs are the lowest-cost storage option for wind and solar energy.²

By expanding our transmission links with Quebec, we can increase our access to Quebec's renewable electricity and storage resources.

The IESO has undertaken preliminary studies on our ability to expand our transmission links with Quebec by a total of 7,500 megawatts (MW) by building new interties at Chats Falls (2,000 MW), Ottawa (2,000 MW), Beauharnois (2,000 MW) and Cornwall (1,500 MW).

Therefore, we recommend that the IESO consult with Hydro Quebec to obtain the best possible information about “the reliability, operability, timing, cost” and other issues that would need to

¹ Financial Accountability Office of Ontario, *Electricity Trade Agreement: An Assessment of the Ontario-Quebec Electricity Trade Agreement*, (Spring 2018), page 4.

² Emil Dimanchev, Joshua Hodge and John Parsons, *Two-Way Trade in Green Electrons: Deep Decarbonization of the Northeastern U.S. and the Role of Canadian Hydropower*, Massachusetts Institute of Technology Center for Energy and Environmental Policy Research, (February 2020).



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be addressed if Ontario decides to use Quebec power and storage resources to help phase-out its gas plants.

5. Numerous Ontario municipalities have developed climate plans that include local energy efficiency and small-scale renewable energy investment opportunities.

Therefore, we recommend that the IESO review these investment opportunities to determine if some or all of them should be part of its portfolio of options to phase-out our gas plants.

Scenario 2 Feedback

Canada's carbon tax is scheduled to rise from \$50 per tonne in 2022 to \$170 per tonne in 2030.

Ontario's residential consumers pay carbon taxes with respect to 100% of the greenhouse gas pollution associated with their purchases of fossil gas for home heating and gasoline for their cars and trucks.

As of January 1, 2022 under Ontario's Emissions Performance Standards, our gas-fired power plants will only be subject to carbon taxation on their greenhouse gas pollution that is greater than 420 tonnes per million kWh.³ This means that only 3% of our gas-fired power plants' greenhouse gas pollution will be subject to the carbon tax.⁴

Exempting Ontario's gas-fired power companies from carbon taxation on 97% of their pollution is economically irrational, unfair and politically unsustainable.

Therefore, we recommend that the IESO's analysis of the potential for higher gas prices to reduce the utilization of our gas plants between 2022 and 2030 include scenarios where 100% of the gas plants' greenhouse gas pollution is subject to Canada's scheduled rates of carbon taxation.

³ Power Advisory LLC, *Ontario Wholesale Electricity Market Price Forecast*, (April 22, 2021), pages 9 and 10.

⁴ In 2020 the average greenhouse gas pollution rate of Ontario's gas-fired power plants was 433 tonnes per million kWh. Ontario Clean Air Alliance Research, *Phasing-Out Ontario's Gas-Fired Power Plants*, (January 29, 2021), page 12.

Conclusion

Thank you for the opportunity to provide you with feedback on your power point presentation in advance of the IESO's May 27th public engagement webinar. We hope that you will be able to respond to our recommendations on May 27th.

Yours sincerely,

A handwritten signature in black ink that reads "Jack Gibbons". The signature is written in a cursive style with a large initial "J" and "G".

Jack Gibbons
Chair

cc. Sophie Brochu
Stephen Rhodes