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May 12th, 2023

Venfor Inc. Response to the IESO's December 15th, 2022 Reports.

**Attn: Hon. Todd Smith
Minister of Energy**

Dear Minister Smith,

We thank you for the opportunity to provide practical industry observations and advice in respect of the future for Ontario's power system, which is about to undergo an unprecedented major transition and growth period. Securing a clean, reliable generation mix in our supply portfolio will be of the utmost importance if we are to continue to enjoy competitive electricity rates that will contribute positively to our economic well-being.

Venfor is comprised of a team of technology agnostic developers and entrepreneurs with decades of experience in the Ontario electricity and natural gas sectors. In the past, members of our network have successfully developed natural gas plants, wind farms, landfill gas plants, natural gas storage and district energy systems as required to satisfy Ontario's evolving energy needs. We are motivated by economic logic, not ideology; we firmly and respectfully believe that there is no singular solution to Ontario's challenge of decarbonisation and electrification. However, we are concerned that this government is adversely disposed toward renewable energy and missing an opportunity to reduce system costs, create jobs, improve energy security, promote competition, and advance decarbonisation. As citizens, businesspeople, ratepayers, and taxpayers, we believe this policy is unwise – and should be revisited through this current process.

It unfortunately appears that our government routinely treats renewable energy as the scapegoat for all that is wrong with the Ontario electricity sector, while simultaneously trumpeting the clean attributes these assets have helped provide. The explanation to the issues plaguing Ontario's electricity sector is nuanced, and beyond the limited scope of this letter. Suffice it to say that the faults of all forms of electricity generation, combined with decades of underinvestment in transmission infrastructure, have contributed to the current state of affairs.

We agree with the Government that that mistakes were made in the past, particularly in regard to static and unreasonably lucrative feed-in tariff rates, but the past is not the present. The high costs paid for renewables under the FIT regime are no longer representative of the industry since economies of scale and technological innovation during the intervening period have radically reduced the levelized cost of energy (LCOE).

The context of the electricity system has also changed. The first wave of renewable energy projects were developed at a time when the gas capacity that replaced coal-fired generation was overbuilt and underutilised. These plants will now need to run more frequently as a result of load growth, nuclear retirements and refurbishments. The IESO is forecasting an emerging capacity and energy gap in the

near future and wind farm curtailment has notably begun to decline. Today, the electricity grid is more suitable for integrating renewables than ever before as a result of the increased utilisation of natural gas plants combined with procurements of significant battery energy storage capacity.

We have learned much from nearly two decades of experience in Ontario. The government has developed a rigorous permitting regime, which reviews all aspects of renewable energy project development, including environmental impacts and consultation with stakeholders. The impacts of renewables are now well understood and the hype of catastrophic impacts by a tiny but very vocal group of stakeholders have proven to be unfounded, both scientifically and from direct experience.

One area where government policy is currently lacking is the coordination of provincial needs with the needs of local communities, and fair compensation for hosting energy infrastructure projects. Compensation could take the form of community benefit payments on a capacity basis paid by the project developers to the local municipalities. The compensation rate could be set by the government. These payments should be material enough to show a real benefit to the host communities but also limit the ability of a small vocal minority, whose agenda does not align with the interests of the province, from hijacking the energy policy of Ontario. Bottom line: the rural farming communities are prepared to generate power for the urban dwellers, but there needs to be recognition by the Province and local municipalities that this is a welcome, worthy and realistic objective.

Just as the past is not the present, the present is not the future. We urge the government not to fix the generation mix by mandating one form of energy generation or capacity over another. Let the competitive market select the optimal technology based on its merits. If the most cost-effective solution is renewable energy, then Ontario should procure more renewable generation. If renewables are not the most cost-effective solution, then Ontario should procure something else. It makes poor sense to commit to multi-decade contracts for energy generation or capacity without testing what the market has to offer.

Over the last decade, the costs of utility-scale solar and wind energy have decreased by 82%¹ and 40%², respectively. Energy storage is currently at an earlier stage of this cost reduction curve but is advancing rapidly. Today, renewable energy is cost-competitive with new build gas generation on an unsubsidized basis, and the attractiveness of renewables will only increase over time as geopolitical instability, declining upstream investment in oil and gas, and the escalating carbon tax increases the cost of natural gas.

There are innumerable studies which demonstrate the favourable LCOE of renewables compared to natural gas generation. For example, the all-in cost of energy from a newly constructed wind farm, without considering the 30% tax credit in the 2023 federal budget, is less than the operating cost of an existing natural gas plant at current gas prices. For every gigawatt of natural gas generation displaced by wind, ratepayers save over \$120 million. If the natural gas prices return to levels seen as recently as 2022, these savings increase to nearly \$500 million. The difference is even more pronounced when compared to new natural gas facilities.

Another advantage of renewable energy is the price certainty offered by these types of generation assets. In contrast, the recent natural gas price volatility caused by the Russian invasion of Ukraine is merely a harbinger of future instability. It would be wise to promote energy security and decrease Ontario's dependence on a traded commodity which can be easily manipulated by authoritarian states.

¹ <https://www.nrel.gov/news/program/2021/documenting-a-decade-of-cost-declines-for-pv-systems.html>

² <https://www.energy.gov/eere/wind/articles/land-based-wind-market-report-2022-edition>

It is irrelevant if Ontario sources its gas from Alberta or the United States, with the advent of liquified natural gas (LNG) we will pay whatever the global price happens to be.

The government prides itself on promoting private enterprise and fostering an economic climate which is friendly to business. The private sector is loudly and clearly demanding access to inexpensive and clean energy. The automotive manufacturers and future industries which the government is seeking to entice will not continue to invest in Ontario unless these criteria are satisfied. If Ontario wishes to secure additional foreign direct investment in a global market, which is increasingly environmentally conscious, the surest strategy is to provide abundant and inexpensive wind and solar energy to satisfy demand for clean energy. At minimum, let renewables compete on an equal footing with other forms of generation.

Nearly every jurisdiction comparable to Ontario is investing in renewable energy, including Quebec, Alberta, California, and Texas. Our neighbours in Quebec experience similar technology costs and resource availability, and they have concluded renewables, particularly wind, are a good, forward-looking investment. Our cousins in Alberta, partially paragons of environmentalism, have reached a similar conclusion. Where does this leave Ontario, and how do we explain not taking the economic advantages that these comparable jurisdictions have?

In conclusion, renewable energy makes good business, engineering, geopolitical, and environmental sense. We are not asking the government to subsidise renewable energy, or eliminate nuclear power or gas generation, but to level the playing field and allow renewables to fully participate in the Ontario electricity system through public procurements or private power purchase agreements – on an economic basis. The optimal future supply mix will depend on a combination of energy technologies, as it does today. It remains to be seen what the right balance is, but for now, there is an opportunity for more wind and solar power in Ontario.

Thank you for the opportunity to submit our views.

A handwritten signature in black ink that reads "Jose Menendez". The signature is written in a cursive, flowing style.

José Menéndez, P.Eng.
Director & President