

April 1, 2021

Re: Review of the federal Output-Based Pricing System Regulations

On February 16, 2021, Environment and Climate Change Canada (ECCC) announced that it was launching a review of the Output-Based Pricing System (OBPS) regulations. Energy Storage Canada is pleased to provide our feedback.

Energy Storage Canada (ESC) is the national association for the energy storage industry in Canada. Our membership represents all players along the energy storage value chain – technology providers, project developers, investors and operators, utilities, electricity distribution companies and NGOs. Our mission is to advance the energy storage industry in Canada through collaboration, education, policy advocacy and research. We take an unbiased view towards technology and are supported by the contributions of our active members.

ESC appreciates the opportunity to provide comments to ECCC. The OBPS is a key pillar for Canada's Climate Change plan and an important component in the evolution of the electricity sector. ESC understands that the review scope is focused on four issues:

1. Exploring ways to increase the contribution of OBPS emissions reductions to Canada's emissions reduction target.
2. Develop additional output-based standards for activities with three or more facilities emitting 10,000 tonnes of CO₂(e). ECCC is also looking at 15 additional activities for development of an output-based standard.
3. ECCC will review aspects of the Schedule 1 to the regulations related to alignment of the standards with the activity undertaken by the affected facilities or if the sector is undertaking or planning activities not currently accounted for in the output-based standards.
4. Exploring opportunities to reduce administrative burden.

ESC notes that the following comment does not specifically align with the ECCC review scope; however, ESC believes it is important for ECCC to understand a key issue and flaw with the existing OBPS. Under section 36.1(1), the OBPS tonnes of CO₂(e)/GWh for gaseous fuels (i.e., gas-fired generation) is fixed at 370 tonnes CO₂(e)/GWh for all existing gas-fired generation facilities. For new gas-fired generation facilities (or expansions of greater than 50 MW), the OBPS decreases from 370 tonnes CO₂(e)/GWh to 0 tonnes CO₂(e)/GWh by 2030. This approach establishes two different types of treatment for similar gas-fired generation facilities. Most importantly, it provides an advantage for existing gas-fired generation over new gas-fired generation. This is a key issue for two reasons:

- First, it is reasonable to expect existing gas-fired generation to be less efficient than new gas-fired generation. The unfair advantage means the operating cost of existing gas-fired generation will be artificially lower (due to carbon pricing) than new gas-fired generation; in short, inefficient existing gas-fired generation could operate more often than new gas-fired generation.

- Gas-fired generation used for operational flexibility and peaking generation in Canada's electricity networks. Reducing the carbon cost of existing gas-fired generation reduces the incentive for new peaking technologies, such as energy storage, to meet electricity system needs with lower emissions.
- Finally, the electricity sector is not an Emissions Intensive, Trade Exposed industry and therefore should have more stringent standards applied.

These issues can be resolved by aligning the treatment of OBPS for existing and new gas-fired generation facilities. In short, OBPS for existing and new gas-fired generation should trend to 0 tonnes CO₂(e)/GWh by 2030. ESC strongly recommends that ECCC explore this potential change immediately to support earlier transition to non-emitting technologies for Canada's electricity networks. The electricity sector is expected to play a significant role in helping other sectors transition to net-zero; sending the appropriate price signal for emissions intensity of existing and new thermal generation is paramount.

Thank you for considering ESC's comments.

Sincerely,

A handwritten signature in black ink that reads "Justin W Rangooni". The signature is written in a cursive, flowing style.

Justin W. Rangooni
Executive Director
Energy Storage Canada