

Correspondence I tems Presented for Information November 18, 2024

- 1) Correspondence from the City of Owen Sound Re:
 - a) Support for Association of Municipalities of Ontario statement respecting bicycle lanes.
 - b) Request for endorsement of proposed amendment to the River District Constitution.
- 2) Correspondence from the Association of Municipalities of Ontario Re: Policy update encampments and opioid crisis.
- 3) Correspondence from the Deputy Clerk, Municipality of Arran-Elderslie Re: Multi-Municipal Energy Working Group correspondence.
- 4) Correspondence from the Municipal Clerk, Town of Puslinch Re: Provincial projects and excess soil management practices.
- 5) Correspondence from the Clerk, Town of Parry Sound Re: Rural road safety program.

Allison Penner, Deputy Clerk
City of Owen Sound
808 2nd Avenue East
Owen Sound, ON N4K 2H4



Telephone: 519-376-4440 ext. 1235 Facsimile: 519-371-0511 Email: apenner@owensound.ca Website: www.owensound.ca

November 1, 2024

Via Email

The Honourable Doug Ford Premier of Ontario Legislative Building, Queen's Park Toronto, ON M7A 1A1 premier@ontario.ca

Dear Honourable Doug Ford:

Re: Endorsement of statement of the Association of Municipalities of Ontario respecting local decision-making in transportation improvements

City Council, at its meeting held on October 21, 2024, considered the abovenoted matter, and passed Resolution No. R-241021-016 as follows:

"THAT in consideration of correspondence received on the October 21, 2024 Consent agenda respecting legislation governing bicycle lanes, City Council:

- 1. Endorses the statement of the Association of Municipalities of Ontario urging the province to respect local decision-making when considering transportation improvements; and
- 2. Directs staff to send a letter to that effect to the Honourable Doug Ford, Premier of Ontario and Rick Byers, MPP for Bruce-Grey-Owen Sound."

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Allison Penner Deputy Clerk

Encl. AMO statement respecting legislation governing bicycle lanes

cc: Alex Ruff, MP Bruce-Grey-Owen Sound Rick Byers, MPP Bruce-Grey-Owen Sound Association of Municipalities of Ontario (AMO)



AMO Policy Update - Province to Introduce Legislation Governing Bicycle Lanes

Yesterday, the Government of Ontario announced it will introduce legislation that would require municipalities to receive approval from the province before installing new bike lanes that would result in the removal of lanes for traffic. According to the government news release, "municipalities would be required to demonstrate that the proposed bike lanes won't have a negative impact on vehicle traffic."

Bicycle lanes are an essential element of urban transportation planning and road safety. Requiring provincial approval would be a significant overreach into municipal jurisdiction. Based on local knowledge and community input, municipalities develop transportation plans that balance traffic flow with planning priorities like active transportation, multimodal transportation and environmental and health protection. AMO is not aware of any consultation with municipalities regarding bicycle lanes or of the evidence the province considered in its decision.

It is unclear how the Ministry of Transportation will be in a better position than municipalities to make decisions about local transportation matters. Rather than micromanaging bike lanes, the Ministry of Transportation could focus on accelerating its own approval processes to help support new housing.

There have been recent examples of unintended consequences when the province has tried to take over local decision-making. We urge the province to respect local decision-making when considering transportation improvements, and not repeat its mistakes of the past.

Allison Penner, Deputy Clerk City of Owen Sound 808 2nd Avenue East Owen Sound, ON N4K 2H4



Telephone: 519-376-4440 ext. 1235 Facsimile: 519-371-0511 Email: apenner@owensound.ca Website: www.owensound.ca

November 1, 2024

River District Board of Management

Dear Chair Parsons,

Re: Request for Endorsement of Proposed Amendment to the River District Constitution

City Council, at its meeting held on October 21, 2024, considered Staff Report CR-24-117 (enclosed) respecting the process to amend the River District Constitution, and passed Resolution No. R-241021-013 as follows:

"THAT in consideration of Staff Report CR-24-117 respecting the process to amend the River District Constitution, City Council directs staff to provide correspondence to the River District Board of Management requesting their endorsement of amending the Constitution to reduce the number of City Council members appointed to the Board from two to one and to add one additional public member."

City Council respectfully requests a resolution outlining the decision of the Board with respect to the above.

Sincerely,

A. Penner
Allison Penner

Deputy Clerk

Encl. Staff Report CR-24-117 Re: Process to Amend the River District Constitution



Staff Report

Report To: City Council

Report From: Allison Penner, Deputy Clerk

Meeting Date: October 21, 2024

Report Code: CR-24-117

Subject: Process to Amend the River District Constitution

Recommendations:

THAT in consideration of Staff Report CR-24-117 respecting the process to amend the River District Constitution, City Council directs staff to provide correspondence to the River District Board of Management requesting their endorsement of amending the Constitution to reduce the number of City Council members appointed to the Board from two to one and to add one additional public member.

Highlights:

- City Council directed staff to provide a report outlining the steps necessary to reduce the number of members of City Council appointed to the River District Board of Management from 2 to 1.
- Staff recommend that City Council seek feedback and endorsement from the River District Board of Management prior to amending the Constitution.

Strategic Plan Alignment:

Strategic Plan Priority: Collaborative City.

Reducing the number of members of City Council appointed as Directors of the River District Board of Management while maintaining the overall number of Directors will increase the number of public members, thereby increasing opportunities for public input.

Climate and Environmental Implications:

There are no anticipated climate or environmental impacts.

Previous Report/Authority:

The Municipal Act, 2001

Report CR-22-038 River District Board Name Change and Draft Constitution

By-law No. 2022-061, Adoption of the River District Constitution

Background:

The River District Board of Management (RDBM) is a local board of the City of Owen Sound, per section 204(2.1) of the *Municipal Act, 2001*. Section 11(2) of the *Municipal Act, 2001* gives the City authority to pass by-laws respecting the governance structure of its local boards.

On June 13, 2022, City Council approved By-law No. 2022-061 to rename the Owen Sound Downtown Improvement Area to the River District and to adopt a Constitution to govern the affairs of the River District members and Board of Management.

The River District Constitution states that the Board shall consist of 9 Directors; 2 members of Council appointed by City Council and 7 Directors selected by a vote of the members of the River District. Election of Directors occurs every four years, with the next election scheduled in 2026. A person is entitled to be a Director if they are at least 18 years of age and are either:

- 1. the owner or tenant of land in the City; or
- 2. an employee of a corporation operating in the River District.

On October 7, 2024, City Council passed Resolution Number R-241007-005 directing staff to "bring forward a report on October 21, 2024, to outline the process for amending the River District Board of Management Constitution to reduce the number of appointed Council members from 2 to 1."

Analysis:

To reduce the number of members of City Council appointed to the River District Board of Management from 2 to 1 and add an additional public member, the River District Constitution will need to be amended.

Process to Amend the Constitution

Should City Council approve the recommendation outlined in this report, staff suggest that the following process be followed to amend the Constitution:

- 1. Staff submit correspondence for the November 13, 2024, RDBM meeting agenda requesting endorsement of an amendment to the Constitution.
- 2. At its meeting on November 13, 2024, the RDBM may choose to endorse the draft amendment to the Constitution, with or without making suggestions for additional changes.
- 3. Staff provide correspondence from the RDBM to City Council, outlining the decision of the RDBM and, if the draft amendment is endorsed by the RDBM, request direction to bring forward a by-law to amend By-law No. 2022-061 and to include any related changes in the 2025 Board and Committee By-law. The By-laws will come into force and effect on February 1, 2025.

If followed, this process would result in a vacancy on the RDBM as a result of the 1 additional public member position being added. Staff will advertise for this vacancy in accordance with the River District Constitution. The term of the new public member will begin at the time of their appointment and expire on November 14, 2026.

The two members of City Council currently serving on the RDBM will continue to serve in these roles until January 31, 2025. From February 1, 2025 onward, there will be one remaining RDBM Director position allocated to a member of City Council. In keeping with Policy GOV001, one City Council member will have the opportunity to select a Director position on the RDBM Council during the annual Board and Committee Selection Process in December 2024, for a term beginning February 1, 2025.

Considerations in Amending the Constitution

In the 2022 election of Directors to the RDBM, 7 candidates put their names forward for 7 available positions; all candidates were acclaimed. Increasing the number Directors elected by members of the River District increases the risk that fewer individuals put their names forward as candidates than there are available positions resulting in unfilled Director positions on the Board.

If the RDBM does not wish to endorse the draft amendment to the Constitution, staff would recommend that the RBDM provide correspondence to that effect to City Council. While City Council has the authority to

unilaterally amend the Constitution, negotiating mutual agreement with the RDBM is desirable to maintain the strong working relationship between City Council and the RDBM.

Financial Implications:

There are no anticipated financial implications.

Communication Strategy:

The draft amendment to the RDBM Constitution will appear on the agenda of the November meeting of the RDBM and staff will report back on the direction received from the RDBM.

Consultation:

City Clerk

Attachments:

Draft Amended River District Constitution

Recommended by:

Allison Penner, Deputy Clerk Briana Bloomfield, City Clerk Kate Allan, Director of Corporate Services.

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Allison Penner, Deputy Clerk at apenner@owensound.ca or 519-376-4440 ext. 1235.



RiverDistrict

OWEN SOUND

Constitution

Approved by Council

Date

Approved by Board

Date

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1. Definitions

1.1. For this Constitution the following definitions shall apply:

"Act" means the Municipal Act, 2001 S.O. 2001, c. 25, as amended;

"Administrator" means the City staff person designated by the City Manager from time to time;

"Board" means the Owen Sound River District Board of Management;

"City" means The Corporation of the City of Owen Sound;

"City Treasurer" means the Treasurer for the City;

"Clerk" means the Clerk for the City;

"Code of Conduct" means the Code of Conduct approved by City Council;

"Council" means the Council of the City;

"Director" means member of the Board:

"Member" means persons who are assessed on the last returned assessment roll, with respect to rateable property in the River District that is in a commercial property class prescribed by the City, and tenants of such property;

"Person" means an individual, corporation, partnership or other legal entity;

"River District" means the River District Business Improvement Area, which consists of rateable property in a prescribed business property class located in an area designated by Council and identified on Schedule 'A' to this Constitution. A reference to the River District is a reference to the geographical area and or to the local board as the context requires;

"Staff Liaison" means the City staff person designated by the City through the City's Board and Committee By-law; and

"Tenant" means persons who:

- a. rent or lease rateable property in the River District that is in a commercial property class prescribed by the City; and
- b. are required to pay all or part of the property taxes on the rateable property as part of their tenancy.

2. The Organization

Designation

2.1. The River District is designated by City Council as an improvement area in accordance with the Act.

Purpose

- 2.2. The purpose of the River District under the Act is:
 - a. to promote the commercial area of the River District as a business and shopping area; and
 - to oversee the improvement, beautification and maintenance of municipally owned land, buildings, and structures within the boundaries of the River District, beyond that provided at the expense of the municipality generally.

Vision

2.3. The vision of the River District is a vibrant, safe and fun downtown.

Mission

2.4. The mission of the River District is to develop a vibrant and sustainable business, cultural and residential community by supporting initiatives aimed at improving, beautifying and promoting the River District on behalf of its Members.

3. The Board

Establishment

- 3.1. The Board is established by City Council as a board of management in accordance with the Act.
- 3.2. The affairs of the River District are governed by the Board.

Composition

- 3.3. The Board shall consist of nine (9) Directors as follows:
 - a. one (1) member of Council to be appointed by City Council; and
 - b. the remaining eight (8) Directors selected by a vote of the Members of the River District and appointed by City Council.

Qualifications

- 3.4. A person is entitled to be a Director if they are at least 18 years of age and are:
 - a. the owner or tenant of land in the City; or
 - b. an employee of a corporation operating in the River District.

Meetings

- 3.5. The Board shall hold a minimum of six (6) meetings per year on a bimonthly basis starting in January.
- 3.6. Meetings shall take place in Council Chambers at City Hall on the second Wednesday of the month beginning at 5:30 p.m.
- 3.7. Board meetings shall be conducted in accordance with the City's Procedural By-law in effect at the time of the meeting.

Term of Office

- 3.8. Each Director shall hold office from the time of their appointment by City Council, until the expiration of the term of the Council that appointed them but continues until a successor is appointed.
- 3.9. Each Director is eligible for re-election to the Board for subsequent terms.

Resignation and Termination of Director

- 3.10. A Director is deemed to have resigned when:
 - a. the Director delivers a written notice of resignation to the Administrator;
 or
 - b. the Director is absent from three consecutive Board meetings, without obtaining consent from the Board.
- 3.11. The Board, on a two-thirds (2/3) vote of the whole of the Board, has the right to terminate a Director for just cause, including conduct in breach of the Code of Conduct.

Vacancies

- 3.12. Where a vacancy on the Board occurs, the Board may put forward a replacement for Council consideration as follows:
 - a. the Board shall provide public notice of the vacancy. The public notice shall be posted, at a minimum, on the River District website for a period of twenty (20) days;
 - applicants shall submit required application materials to the Administrator; and

- c. from the applications, the Board, shall select a replacement by majority vote of the Board and advise Council in writing via the City Clerk.
- 3.13. When appointed the replacement shall hold office for the remainder of the term for which their predecessor was appointed.
- 3.14. Where the Board is unable to put forward a replacement or the replacement is not approved by Council, Council may appoint any person to fill the vacancy for the remainder of the term.

Remuneration

- 3.15. No Director of the Board shall receive remuneration in payment for services carried out in that capacity.
- 3.16. Board Directors may be reimbursed for all reasonable expenses relating to their functions as Board Directors, provided any such expenses are budgeted for or pre-approved by Board resolution and provided that receipts for any such expenses are submitted prior to reimbursement.
- 3.17. Board Directors may be hired to perform a service or provide goods for the River District, provided that the City's Procurement By-law and related policies are followed, and the Board Director declares a conflict of interest and abstains from participating in debate(s) and vote(s) on the matter.

Board Office

3.18. Any physical office of the Board shall be located within the geographic boundaries of the River District as outlined in Schedule "A".

4. Board Election Procedures

Election Manager

- 4.1. An Election Manager shall conduct the election.
- 4.2. The Election Manager shall be an independent person, determined by the City Clerk and hired by the City.
- 4.3. The City Clerk shall oversee the Election Manager and shall act as a resource for the position.

Call of an Election

- 4.4. An election will be conducted on the second (2nd) Monday in November of each year a municipal election is held.
- 4.5. Notice of the date and location of the election shall be given in a form, manner and at a time that the Election Manager considers adequate.

Nominations

- 4.6. Nomination day for the Board election is the first Friday in October.
- 4.7. The Election Manager shall give notice of the nomination period and the nomination procedure in a form, manner and at a time that the Election Manager considers adequate.
- 4.8. Nominations may be filed:
 - a. on any day on or after the second Friday in September in the year of the election that is on or before nomination day at a time established by the Election Manager; and
 - b. on nomination day, between 9 a.m. and 2 p.m.
- 4.9. Nomination forms shall be made available on the River District website and at any other location specified by the Election Manager. These locations will be advertised in the call for nomination advertisements.
- 4.10. A person may withdraw their nomination by filing a written withdrawal with the Election Manager on or before nomination day.
- 4.11. If at 4:00 p.m. on nomination day, the number of Director candidates is the same as or less than the number of Directors to be elected, the Election Manager shall immediately declare the candidate or candidates elected by acclamation.
- 4.12. The Election Manager shall extend the nomination period to 2:00 p.m. on the fourth Friday of October for additional nominations for any seats that remain to be filled. If the number of certified candidates still does not exceed the remaining number of vacancies, the Election Manager shall immediately declare the additional candidate or candidates acclaimed.
- 4.13. The Election Manager shall examine each nomination that has been filed in accordance with the following timetable:
 - a. all nominations filed on or before nomination day shall be examined before 4 p.m. on the Monday following nomination day; and
 - b. any additional nominations filed under section 4.12 shall be examined before 4 p.m. on the Monday following the extension.
- 4.14. Where the Election Manager is satisfied that a person is qualified to be nominated and that the nomination complies with the Constitution, the Election Manager shall certify the nomination by signing the nomination paper.
- 4.15. Where the Election Manager is not satisfied that a person is qualified to be nominated, the Election Manager shall reject the nomination and, as soon as practicable, give notice of the rejection to the person seeking the nomination and to all candidates for the office.

- 4.16. In determining whether to certify or reject a nomination, the Election Manager may request further documentation from the person seeking the nomination respecting their qualifications.
- 4.17. The Election Manager's decision to certify or reject a nomination is final.
- 4.18. Immediately following the close of nominations, the Election Manager shall provide notice to the Members of all certified nominations for the election or acclamation.

Election

- 4.19. The Election Manager may appoint, in writing, Assistant Election Officers (AEO's) and such other officials required to assist in the Board election.
- 4.20. The Board election shall be conducted on the second (2nd) Monday in November by ballot and held at the time and location specified by the Election Manager.
- 4.21. The addition of advanced voting days shall be at the discretion of the Election Manager and, if held, shall be on the date and at the time and location specified by the Election Manager.
- 4.22. Each Member has one vote regardless of the number of properties that the Member may own or lease in the River District.
- 4.23. Every Member that is a legal entity other than an individual has one vote regardless of the number of shareholders or partners that the member has. The person representing a legal entity other than an individual must provide a written voting delegation, in the manner specified by the Election Manager, at the time the ballot for that Member is received.

Count and Recount

- 4.24. A candidate may appoint a scrutineer to represent them during voting and the counting of votes, including a recount.
- 4.25. The Election Manager shall hold a recount of the votes for two or more candidates who receive the same number of votes and cannot both or all be declared elected to the Board.
- 4.26. A recount shall be held within one (1) week of voting day.

Results

4.27. The Election Manager shall place the results of the election on the River District website and indicate that all appointments are subject to Council approval.

Council Consideration

- 4.28. The Election Manager shall forward the results of the election to the City Clerk who shall place the results before Council for consideration.
- 4.29. Directors approved by Council shall be appointed by by-law.
- 4.30. Any positions left vacant shall be addressed in accordance with the Act.

First Meeting

- 4.31. Following the enactment of the Board appointment by-law, the City Clerk shall provide notice of the appointed Directors to the Administrator.
- 4.32. The Administrator shall contact Directors to advise of the date of the first meeting of the Board, which meeting shall take place in January of the year following the election.

5. Duties of the Board

- 5.1. The Board as a whole is responsible for:
 - Subject to this Constitution and the Act, making decisions on policy affecting itself and the River District; and
 - b. managing the affairs of itself and the River District.
- 5.2. Every Director of the Board shall:
 - a. exercise the powers and discharge the duties of the office honestly, in good faith, and in the best interests of the River District;
 - b. exercise the degree of care, diligence, and skill that a reasonable and prudent person would exercise in comparable circumstances;
 - c. follow the City's Code of Conduct;
 - d. declare interests in accordance with the City's Procedural By-law:
 - e. observe the laws, policies, and practices governing all matters related to confidentiality, privacy, and access to information; and
 - f. act in accordance with applicable City policies including but not limited to the City's Purchasing By-law, Records Management By-law, Indemnification By-law, and Procedural By-law.
- 5.3. In exercising its duties pursuant to this Constitution, the Board shall not:
 - a. offer to provide support to political candidates or political parties; or
 - b. engage in or pay for political advertisements.

6. Board Executive

Election

- 6.1. At the first meeting, the Board shall elect the Executive Officers of the Board following the City Clerk's procedure for nominations in effect at the time. These positions shall be Chair, Vice-Chair, and Treasurer.
- 6.2. The Executive Officers shall be elected from among the appointed Directors, save and except the Directors appointed directly by the municipality (Council members).

Term

6.3. The Executive Officers shall hold their offices for the term of their appointment.

Vacancies

6.4. Where a vacancy arises for any office on the Board during the term, the remainder of the Board shall elect a replacement Executive Officer at their next regular meeting following the City Clerk's procedure for nominations in effect at the time.

Additional Positions

6.5. The Board may appoint additional positions to the Executive only if approved by resolution of the Board and presented to Council as an amendment to this Constitution outlining the responsibilities of the position.

Chair Duties

- 6.6. The duties of the Chair shall include all responsibilities outlined in the City's Procedural By-law and:
 - a. having general supervision of the affairs of the River District;
 - acting as a co-signer, along with the Vice-Chair or Treasurer of the Board, for all cheques, documents, contracts or agreements, as required;
 - c. sitting as a non-voting ex-officio member on all Board committees;
 - d. being the public representative of and spokesperson for the Board;
 - working with the Staff Liaison and Administrator to ensure legislative obligations of the Board are met; and
 - f. performing any other duties that the Board may assign from time to time.

Vice-Chair Duties

- 6.7. The duties of the Vice-Chair shall include:
 - a. performing all of the duties of the Chair in their absence or if the Chair is unable for any reason to perform those duties;
 - b. acting as a co-signer, along with the Chair or Treasurer of the Board, for all cheques, documents, contracts or agreements, as required; and
 - c. performing any other duties that the Board may assign from time to time.

Treasurer Duties

- 6.8. The duties of the Treasurer shall include:
 - a. providing advice and liaising with the City Treasurer or designate respecting the financial records of the River District including the budget and liaising with the external auditor to complete the year end audit report;
 - b. acting as a co-signer, along with the Chair or Vice-Chair of the Board, for all cheques, documents, contracts or agreements, as required;
 - c. providing a financial update at each regular Board meeting;
 - d. providing the City with all requested financial records for purposes of record keeping; and
 - e. performing any other duties that the Board may assign from time to time.

7. Board Financials and Budgets

Financials

- 7.1. The Board shall follow all City procurement policies when purchasing goods or services. Should a question arise, the City's Treasurer shall be consulted.
- 7.2. The Board shall not:
 - a. spend any money unless it is included in the overall budget approved by the municipality or in a reserve fund;
 - b. incur any indebtedness extending beyond the current year without the prior approval of Council; or
 - c. borrow money including bank account overdrafts, credit cards, lines of credit, private loans from members of the public or businesses, or loans from Board Directors or any other person, business, group, or organization.

7.3. All new bank accounts, investment accounts (GICs, brokerage accounts, mutual funds, and any other type of investment account), and any other accounts involving money (paypal, gofundme, or similar) must be approved by the Board prior to being opened.

Budgets

- 7.4. The fiscal year of the Board shall be January 1st to December 31st.
- 7.5. The annual budget of the Board shall be presented to the Members for consideration at a public meeting prior to being approved by the Board.
- 7.6. Upon approval by the Board, the budget shall be submitted for Council consideration and approval during the City's budget process.

Audited Financial Statements

- 7.7. The Board shall use the auditor appointed by the City. All books, documents, transactions, minutes and accounts of the River District shall at all times be open to the auditor's inspection.
- 7.8. The Board shall submit its audited financial statement for the preceding year for City Council's approval by the date and in the form required by the City Treasurer. This includes all books, documents, transactions, minutes, and accounts of the River District.

Reserve Fund

- 7.9. The Board may provide in its budget for the establishment and maintenance of a reserve fund for any purpose for which it has authority to spend money in accordance with subsection 417(1) of the Act.
- 7.10. The establishment of a reserve fund shall be done so with the assistance and consultation of the City Treasurer to ensure compliance with financial reporting requirements.

River District Levy

- 7.11. The City shall annually set the amount required for the purpose of the River District, which amount shall be managed by the Board. This amount includes any interest payable by the City on money borrowed by it or for the purposes of the Board in accordance with section 208 of the Act.
- 7.12. The City shall establish a special charge by levy on rateable property within the River District in accordance with section 208 of the Act.
- 7.13. Council each year shall levy the special charge upon rateable property within the River District boundary that is in a prescribed business property class as defined in the Assessment Act, R.S.O. 1990.
- 7.14. Payment of the special charges or rates levied in accordance with section 208 of the Act shall be the responsibility of the assessed property owner(s).

7.15. It shall be the responsibility of the assessed property owner(s) to apportion and collect the share of the taxes or special charges from each tenant that may be required to reimburse the owner.

8. Committees of the Board

Committee Criteria

- 8.1. The Board may establish committees to assist in carrying out the objectives of the River District or to provide recommendations to the Board. In order to establish a committee, at least three (3) of the following criteria must be met:
 - a. the subject matter is of significant importance to the Board;
 - b. the mandate will align with the River District Action Plan or other plans or guiding documents;
 - c. the establishment of the committee would significantly help to streamline discussion and decision-making;
 - d. the committee would handle tasks or work that staff do not perform; or
 - e. the committee would require citizen voice(s) or external stakeholder expertise to develop the subject matter.
- 8.2. The Board shall establish all committees by resolution which shall include the mandate and reporting structure of the committee.
- 8.3. Committees of the Board shall:
 - a. include no more than four (4) Directors;
 - b. be chaired by a Director; and
 - c. choose a secretary from amongst the committee members if minutes are to be taken.
- 8.4. Committees of the Board shall not:
 - a. commit Board funds to any project;
 - b. direct City staff to undertake any activities; and
 - c. act on behalf of the Board.
- 8.5. Committee members selected by the Board need not be Members but shall be individuals committed to the advancement of the purposes of the River District.
- 8.6. The Chair of a committee shall present progress reports and make recommendations to the Board on all projects undertaken by the committee.
- 8.7. Committee(s) of the Board are at the discretion of the Board and can be restructured at any time.

9. Members

Member Rights

- 9.1. Every Member is entitled to:
 - a. attend any Board meeting that is open to the public;
 - b. provide comments on the River District budget annually; and
 - c. vote for Directors for each new term.

Notice

9.2. Where Members' are required to receive notice under the Act, notice will be provided in accordance with the Act.

10. City Staff Support

Operating Agreement

10.1. The administration of the Board shall be undertaken by City staff in accordance with the River District Operating Agreement in effect from time to time.

Direction to Staff

10.2. Direction to staff will be provided by resolution of the Board and the staff contacts for the Board shall be the Staff Liaison and the Administrator.

Staff Liaison Duties

- 10.3. The Staff Liaison is a resource to the Board and their duties shall include:
 - a. providing guidance and advice on matters before the Board;
 - b. remaining impartial during discussions of Board matters;
 - c. ensuring necessary reports are prepared for the Board's consideration;
 - acting as a resource to the Board on matters pertaining to City operations to ensure River District practices are aligned with those of the City;
 - acting as a liaison between the Board and City staff where opportunities for additional support and collaboration are identified; and
 - f. providing updates to the Board regarding City special events, economic development and possible opportunities for partnership on projects.

Administration Duties

- 10.4. The Administrator is a resource to the Board and their duties shall include:
 - a. providing all required notices in accordance with the City's Procedural By-law and the Act;
 - b. maintaining records of the Board in accordance with the City's records management by-laws and policies;
 - c. providing notice to the City Clerk of any Board vacancies;
 - d. taking minutes of each Board meeting in accordance with the City's Procedural By-law;
 - e. Act as a resource to the Board on matters pertaining to City by-laws, policies and procedures to ensure River District practices are aligned with those of the City; and
 - f. providing the Board meeting schedule to the City Clerk to include on the City meeting calendar.

11. Regulatory Matters

Closed Meeting Investigator

- 11.1. In accordance with s. 239.1 of the Act, unless the Board has appointed an investigator referred to in s. 239.2(1), the Board's closed meeting investigator shall be the Ontario Ombudsman.
- 11.2. All Directors and City staff shall participate in closed meeting investigations in accordance with the Act.

Integrity Commissioner

- 11.3. Unless the Board has appointed an Integrity Commissioner, the Board's Integrity Commissioner shall be the Integrity Commissioner appointed by the City.
- 11.4. Directors of the Board may contact the Integrity Commissioner at no cost to the Director, for the following services:
 - a. to receive advice under the Code of Conduct;
 - b. to request advice regarding the Director's obligations and responsibilities under the *Municipal Conflict of Interest Act*; or
 - c. to submit a complaint under the Code of Conduct.
- 11.5. All Directors and City staff shall participate in integrity commissioner inquiries in accordance with the Act.

Freedom of Information

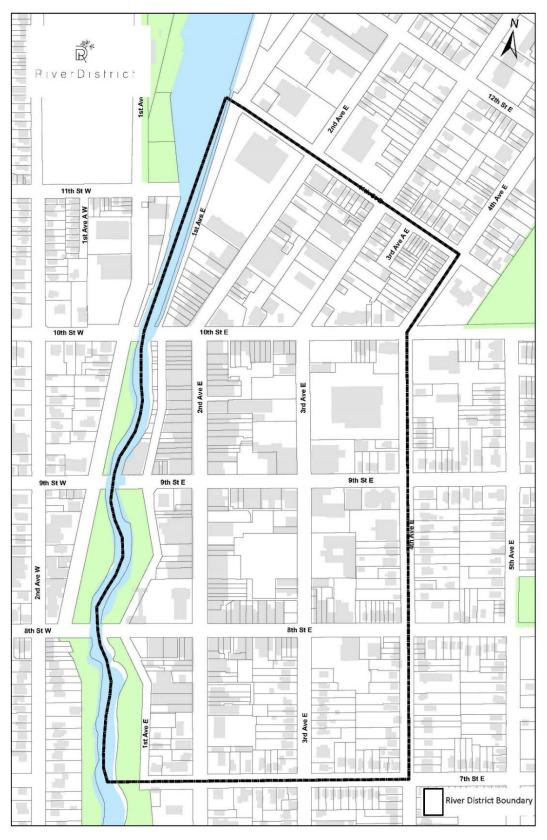
- 11.6. Under subsection 2(3) of the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA), as amended, records relating to the business of the Board can be accessible to the public upon request.
- 11.7. Any formal requests for Board records made under MFIPPA shall be processed through the City Clerk's office.

12. Consistency with Legislation

- 12.1. Nothing contained in this Constitution shall require the commission of any act which is contrary to the Act.
- 12.2. Where reference is made in this Constitution to legislation (municipal, provincial and federal) it shall be meant to include all amendments made to that legislation from time to time or the introduction of new legislation.
- 12.3. If there is any conflict between any provisions contained in this Constitution and any provision of the Act and other legislation the latter shall prevail, and the provisions herein affected shall be modified to the extent necessary to remove such conflict, and as so modified this Constitution shall remain in full force and effect.

13. Schedule "A" - River District Boundary Map

The below map of the River District boundaries was originally established by City By-law No. 1973-5.





AMO Policy Update - Encampments and Opioid Crisis

Comprehensive Provincial Approach Needed to Make Tangible Progress on Homeless Encampments and the Opioid Crisis

Municipalities across Ontario understand the need for urgent action to address both the rising number of homeless encampments and the opioid crisis. There are more than 1400 encampments across the province. We can do better for our most vulnerable Ontarians and our broader communities.

Decades of isolated policy decisions made by successive provincial governments have compounded problems. More people are facing income insecurity. Health care and mental health demands are not being met. Help with addiction is hard to get. Affordable housing is desperately needed everywhere.

We need provincial action that is going to help the Ontarians who are struggling today and also tackle the root causes of homelessness so the crisis does not continue to grow.

Earlier this year, AMO released two policy papers calling for provincial action on the <u>opioid crisis</u> and <u>homeless encampments</u>. AMO engaged with municipal members, police, paramedics, and mental health and addictions and housing experts over the course of months to identify the suite of actions needed.

This is a complex problem that won't be solved by simple, short-term solutions. We need a comprehensive approach, including:

- Provincial guidance that supports an appropriate and consistent approach to encampments across the province;
- Improvements to the income security system that leave too many living in poverty, and more than 1 million people in Ontario using food banks last year;
- Significant investments in deeply affordable housing and supportive housing;
- Long-term, sustainable, and substantial investment in prevention programs;
- Expanding access to voluntary and evidence-based treatment with same-day access and scaling up 24/7 crisis centres; and,
- Ensuring local say on the harm reduction approaches needed within local communities.

The current Ontario government did not create this crisis, but it has the resources and the wherewithal to take the comprehensive actions needed to solve it. Municipalities are ready to work together with the provincial government to tackle this systemic problem.

This policy update is also available on AMO's Website.

*Disclaimer: The Association of Municipalities of Ontario (AMO) is unable to provide any warranty regarding the accuracy or completeness of third-party submissions. Distribution of these items does not imply an endorsement of the views, information or services mentioned.

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MULTI-MUNICIPAL ENERGY WORKING GROUP

TOM ALLWOOD, COUNCILLOR, GREY HIGHLANDS, CHAIR JIM HANNA, DEPUTY MAYOR, HURON-KINLOSS, VICE-CHAIR 1925 BRUCE ROAD 10, BOX 70, CHESLEY, ON NOG 1L0 519-363-3039 EXT.105 FAX: 519-363-2203 ihamilton@arran-elderslie.ca

Dear Mayor and Members of Council,

At the September 12th meeting of the Multi Municipal Energy Working Group (MMEWG), economist Mr. Edgardo Sepulveda delivered a deputation based on his paper, "Chasing the Wind - The value of wind generation in a low-emission nuclear and hydro-dominant grid: the case for Ontario." The paper was prepared for and issued by the MacDonald-Laurier Institute (MLI), "one of the leading policy think tanks in our nation's capital." After the presentation, a motion was passed by the MMEWG to distribute the report to all municipalities in Grey, Bruce and Huron counties for their consideration when assessing the possibility of extending the contracts of existing wind generators, or allowing new wind generator contracts as proposed by the Independent Electricity System Operator (IESO) medium and long-term plans for Ontario.

The report identifies (Page 4) that, "The climate benefit of any new zero-emission generation will be limited to the extent that it can displace gas generation. Relative to other areas, Ontario's wind capacity factors are modest and out of sync with gas generation, all resulting in a relatively low wind emissions offset." Further, the report calculates a "break-even" wind price of \$46/MWh for the 2027-2030 period. This is considerably less that the \$151/MWh currently paid to wind generators that the report calculates, resulting in a financial loss for Ontario with little benefit.

The MMEWG encourages your council to study the report.

If you would like more information about the MMEWG, and the possible participation of your municipality in this municipal working group, we invite you to contact our secretary, Julie Hamilton at <<u>JHamilton@arran-elderslie.ca</u>> or the chair, Tom Allwood at <<u>councillorallwood@greyhighlands.ca</u>>.

With respect,

Tom Allwood, Chair, Multi-Municipal Wind Turbine Working Group Councillor, Municipality of Grey Highlands

Enclosure - Report "Chasing the Wind v13" as sent by Mr. Sepulveda last week.



CHASING THE WIND

The value of wind generation in a low-emission nuclear and hydro-dominant grid: the case of Ontario

September 2024





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Executive summary | sommaire

In 2018, the newly elected Ontario government passed one of its first pieces of legislation – to repeal the *Green Energy Act* (GEA).

Modelled on German legislation to promote wind and solar generation, the 2009 GEA initiated the largest use of guaranteed above-market price long-term contracts (FITs) in North America.

What caused Ontario Premier Doug Ford to pull the plug?

The GEA proved to be incredibly contentious locally and province-wide: it gave government the power to override local opposition to the installation of wind turbines and contributed to an unprecedented increase in electricity prices. Hoping to jump-start wind generation, Premier Dalton McGuinty's government established high wind prices, fixed for 20 years, which averaged \$151/MWh over the 2020–23 period.

As the sector grew, so did the fiscal liability of those contracts. Multi-billion-dollar government subsidies started in 2017 and will total \$7.3 billion for the current fiscal year (Ontario 2024a), equivalent to 0.65 percent of provincial GDP (Ontario 2024b). No other government in Canada has subsidized its electricity sector by this much for so long. Unsurprisingly, the very German government that first introduced FITs is likewise under fiscal pressure due to ballooning subsidies (Sorge 2024).

This paper tells the economic story of wind generation in Ontario in several parts. First, we provide an overview of wind generation's impact on electricity costs, prices and subsidies: to keep prices low, Ontario subsidizes 70 percent of the cost of wind. Second, based on regression and cost-benefit analysis, we show that the costs of wind far exceed its societal and climate benefits for the 2020–23 period, with average net cost of -\$124/MWh, due to financial (high prices) and structural factors. Due to its nuclear and hydrodominant generation and elimination of coal, Ontario is one of the lowest-emission large grids in the world. The climate benefit from any new zero-emission generation will be limited to the extent it can displace gas generation. Relative to other areas, Ontario's wind capacity factors are modest and out of sync with gas generation, all resulting in a relatively low wind emissions offset (0.227 tCO₂/MWh). Third, we calculate a cost-benefit "break-even" wind price of \$46/MWh for the 2027–2030 period.

There are financial and structural challenges to aligning the public costs and benefits of wind generation in Ontario. Given the political defeat of the GEA, the province should have strong incentive not to "overpay" for wind within Ontario's single-buyer system.

For legacy wind projects whose contracts will expire, we explore the benefits of the province implementing a wind re-contracting standard offer of \$46/MWh for a maximum ten-year contract. Some wind operations would shut down, while others would recontract on those terms.

Among a broader set of options for new wind projects, one would be to continue with the private wind IPP contracts approach, but for the Independent Electricity System Operator (IESO) to design a competitive auction process with a maximum reserve price of \$46/MWh. Another possibility would be to discard the contractual approach in favour of financing and compensating wind projects based on cost-of-service economic regulation. A third option would be to leverage the larger economies of scale and lower cost of public financing and have new wind projects publicly owned and operated, as is the case for about half the wind capacity in PEI and the thrust of the new strategy in Quebec. MLI

En 2018, le gouvernement nouvellement élu de l'Ontario adoptait un de ses premiers textes législatifs, abrogeant la Loi de 2009 sur l'énergie verte.

La loi de 2009, élaborée sur le modèle de la loi allemande visant à promouvoir la production d'énergie éolienne et solaire, avait enclenché la plus grande utilisation en Amérique du Nord des contrats à long terme de tarifs de rachat garantis (TRG) supérieurs au prix courant.

Pour quelle raison le premier ministre de l'Ontario, Doug Ford, a-t-il décidé de « débrancher » ?

Les TRG ont suscité une vive polémique à l'échelle locale et provinciale : ils permettaient au gouvernement de faire fi de l'opposition locale à l'installation d'éoliennes et ont entraîné une hausse sans précédent des prix de l'électricité. Le gouvernement du premier ministre Dalton McGuinty avait fixé des tarifs élevés pour 20 ans dans le but de relancer la production éolienne : ils ont atteint en moyenne 151 \$/MWh pendant la période 2020-23.

Le secteur a pris de l'expansion, mais la charge fiscale imposée par ces contrats en a fait tout autant. Les subsides ont coûté plusieurs milliards de dollars en 2017 et totaliseront 7,3 milliards de dollars pour l'exercice fiscal en cours (Ontario 2024a), ce qui équivaut à 0,65 % du PIB provincial (Ontario 2024b). Aucun autre gouvernement au Canada n'a apporté une aide aussi massive et aussi longue à son secteur de l'électricité. Évidemment, l'État allemand, celui-là même qui a été le premier à mettre en place les TRG, est également confronté à une pression fiscale croissante en raison de l'explosion des subsides (Sorge 2024).

Ce document aborde, dans ses diverses parties, l'histoire économique de la production d'énergie éolienne en Ontario. Dans un premier temps, nous examinons l'effet de cette production sur les coûts, les prix et les subsides accordés à l'électricité : afin de maintenir les prix bas, l'Ontario subventionne actuellement 70 % du coût de l'énergie éolienne. Ensuite, en utilisant une technique de régression et une analyse coûtsavantages, nous démontrons que les coûts nets moyens de l'éolien dépassent largement ses bénéfices sociétaux et climatiques pour la période 2020-2023 – soit 124 \$/MWh – en raison des facteurs financiers (prix élevés) et structurels qui y sont rattachés. Comme la production ontarienne est dominée par le nucléaire et l'hydroélectricité et que le charbon est désormais exclu, la province dispose de l'un des grands réseaux les moins polluants au monde. Toutefois, l'impact positif sur le climat de toute nouvelle production d'électricité sans émissions sera conditionné par les limites de sa capacité à remplacer la production d'électricité au gaz. En Ontario, les coefficients de capacité pour l'éolien sont, par rapport à d'autres régions, ténus et en décalage total avec le gaz, de sorte que les émissions éoliennes (0,227 tCO /MWh) sont relativement peu compensatoires. Enfin, nous fixons un tarif pour l'énergie éolienne qui correspond au seuil de rentabilité de 46 \$/MWh pour la période 2027-2030.

Il y a des difficultés financières et structurelles à concilier les coûts et les bénéfices publics liés à la production d'énergie éolienne en Ontario. Étant donné l'échec politique de la loi sur l'énergie verte, il est essentiel que la province soit fortement encouragée à ne pas « surpayer » l'énergie éolienne dans le cadre du système d'acheteur unique de l'Ontario.

En ce qui concerne les projets éoliens patrimoniaux en fin de contrat, nous examinons les bénéfices de la mise en place par la province d'une offre standard de renouvellement à 46 \$/MWh pour une durée maximale de dix ans. Certains projets éoliens seraient terminés, tandis que d'autres seraient renouvelés à ces conditions.

Parmi un éventail plus large de choix pour l'éolien, il y aurait la poursuite de l'approche axée sur les projets portés par des producteurs indépendants, mais en demandant à SIERE (Société indépendante d'exploitation du réseau d'électricité) de mettre en place un processus d'enchères concurrentielles prévoyant un prix de réserve maximal de 46 \$/MWh. Une autre option consisterait à abandonner l'approche contractuelle de financement et d'indemnisation des projets éoliens pour adopter une réglementation économique fondée sur le coût du service. Une troisième possibilité serait de profiter des économies d'échelle plus importantes et du coût plus bas du financement public et de faire en sorte que les nouveaux projets soient détenus et exploités par l'État, comme c'est le cas pour environ la moitié de la capacité éolienne de l'Île-du-Prince-Édouard et pour l'idée maîtresse de la nouvelle stratégie au Québec. MLI

Introduction

In this paper we provide a cost-benefit assessment of wind generation in Ontario for the 2020–23 period and on a forward-looking basis for the 2027–2030 period. Our work is based on well-established economics literature examining the interaction of wind in various grids and its corresponding cost-benefit from several perspectives. This includes work on the Texas electricity grid (Cullen 2013, Novan 2015), as well as more recent work analyzing the Ontario grid (Bahramian et al. 2021) and several regions of the United States (Fell and Johnson 2021).

This literature suggests that the social and climate cost-benefit of wind generation will be grid-specific. The lower the price of wind on the grid and the more that wind displaces higher-emitting generation, the higher wind's social and climate benefit. And vice versa. We find a large negative net cost of wind for 2020–23 reflecting Ontario's relatively high wind prices and low wind emissions offset.

The rest of this report is structured as follows.

• Chapter 2 provides the policy and structural context for Ontario's wind roll out. We first summarize Ontario's distinctive sector policy and how wind generation fits into that framework, including how its relatively high average price of \$151/MWh in the 2020–23 period impacted system costs and government subsidies. We then review some of the factors that are likely to impact the size of the net climate benefits of wind, including how it interacts with the existing generation mix and emissions intensity, and the nature of Ontario's "wind profile," including average and seasonal capacity factors and correlation with emitting generation.

- Chapter 3 presents the results of our regression analysis of the interaction of wind generation with other generation technologies. We apply the regression results to a cost-benefit analysis of wind generation and find that the costs far exceeded the benefits for the 2020–23 period, with average net cost of -\$124/MWh. We also undertake a forward-looking cost-benefit analysis for the 2027–2030 period based on a new LCOE-based reference wind price of \$80/MWh and calculate an average net cost of wind of -\$38/MWh. The cost-benefit "break-even" wind price for 2027–2030 is \$46/MWh.
- Based on the results of the cost-benefit analysis and policy discussion,
 Chapter 4 concludes the report.
- The data and methodology Appendix provides more detailed and technical background to the analysis presented in this report.

Wind in Ontario's electricity sector

As background to the formal analysis presented in Chapter 3, this chapter provides the policy and structural context for Ontario's wind roll out. We first summarize Ontario's distinctive sector policy and how wind generation fits into that framework. This is critical to understanding the financial aspects of the cost-benefit analysis presented in Chapter 3. We then review several non-financial factors that are likely to impact the size of the net climate benefits of wind, including how it interacts with the existing generation mix and emissions intensity, and the nature of Ontario's "wind profile," including its average and seasonal capacity factors.

Ontario's distinctive sector policy

Ontario's installed wind capacity of 5.5 GW (IESO 2024c) has largely evolved within an electricity sector that is unique in North America: a restructured, single-buyer with a system-wide contracts-for-difference (CfD) mechanism, majority out-of-market revenues, and high subsidization. To appreciate the

scope of options that we discuss in Chapter 3, it is first important to understand this distinctive hybrid approach.

Ontario was one of two provinces (Alberta being the other) whose government decided to "restructure" (also referred to as "unbundling") the sector by requiring that the generation segment be unbundled from transmission and distribution, with the objective of facilitating competition in generation. Prior to restructuring, Ontario had a vertically integrated sector with the provincially owned Ontario Hydro (OH) possessing most generation assets, virtually all transmission resources and some rural distribution resources, and providing electricity to municipally owned local distribution companies (LDCs). In preparation for market opening in May 2002, OH was split into several entities, including Ontario Power Generation (OPG), the generation-only entity, Hydro One (H1) holding the transmission and rural distribution assets and the (current) Independent Electricity System Operator (IESO) responsible for operating the electricity market.

Wholesale generation prices spiked in the summer following market opening, and as designed, so did retail electricity prices. Facing a public backlash and an upcoming election, the government lowered and then froze retail prices by December 2002 (CBC 2002). Those months from May to November 2002 would be the only period during which the competitive restructured market functioned as originally designed in Ontario (Trebilcock and Harb 2005).

In 2005, the new government established the single-buyer model for generation in Ontario by creating the Ontario Power Authority (OPA) responsible for contracting existing and new generation that was not otherwise economically regulated by the Ontario Energy Board (OEB). Indeed, virtually all wind resources in Ontario have been centrally procured by the government.

To tie the administrative OPA element to the competitive IESO element, the government introduced a sector-wide contracts-for-difference mechanism in 2005. Generating entities would receive market revenues based on the hourly Ontario energy price (HOEP), on top of which they would receive out-of-market CfD payments equal to the difference between their individual "strike price" (set by regulation or contracts) and the HOEP. Those CfD-type payments are funded via the Global Adjustment (GA) mechanism, which has generally been fully recovered via rates. One consequence of the single-

SYSTEM COST \$24 \$23.2 \$22 SYSTEM COST \$20 \$17.7 \$18 \$16 \$14 \$12 (\$2022 billions) \$6.2 \$10 \$5.6 \$8 \$6 \$7.6 \$4 \$6.7 \$2 0 -\$0.4 -\$2 -\$6.1 -\$6.1 -\$4 -\$6 -\$8 2009 2022 2022 HOEP Non-generation All subsidies GΑ Recovered by rates

FIGURE 1: Ontario system costs: Non-generation, HOEP, GA and subsidies

Sources: MSP (2023), OEB (2023 and previous), Statistics Canada (2024), and author's calculations

buyer CfD approach policy is that there has been virtually no "merchant" uncontracted HOEP-only entry into Ontario, a feature that we further discuss in Chapter 3.

Figure 1 compares the 2009 and 2022 generation-related (HOEP and GA) and non-generation (transmission, distribution, other market and conservation) costs, and government programs to reduce retail prices ("subsidies") in constant dollar terms. It shows that system costs excluding subsidies increased by \$5.42 billion, from \$17.73 to \$23.15 billion, a 30 percent increase. This increase was mostly driven by generation costs, which rose by \$4.5 billion. Within the generation element, Figure 1 shows that in 2022 generation resources received 60 percent from the GA (\$9.1 billion), or a majority out-of-market revenues, and 40 percent from the HOEP market (\$6.2 billion).

Like many other jurisdictions, Ontario has in the past directly or indirectly subsidized or otherwise lowered retail electricity prices (Sepulveda 2018). But facing a public backlash from increasing prices (and an upcoming

election) in 2017, the government radically increased the type and number of subsidies that on a full-year basis totalled \$4.7 billion in 2018. Those subsidies have continued to this day. Figure 1 shows that from 2009 to 2022 subsidies increased from \$0.4 billion to \$6.1 billion (\$2022), or about 27 percent of system costs. This means that in 2022 only 73 percent (\$17.1 billion) of system costs were recovered from rates. For the 2024–25 fiscal year, those subsidies are estimated at \$7.3 billion (Ontario 2024a), equivalent to 0.65 percent of projected provincial GDP (Ontario 2024b). No other government in Canada has subsidized their electricity sector by this much for so long, making Ontario a highly subsidized sector since 2017.

Wind prices and system costs

The development of wind generation was one of the key drivers of Ontario's distinctive policy approach. Ontario's first commercial wind farm went into service in 2002, but it was not until the government implemented the Renewable Energy Supply (RES) in 2004 that wind took off in Ontario. Additional rounds occurred in 2005 (RES II) and 2007 (RES III) and the related Renewable Energy Standard Offer Program (RESOP) in 2006 (AGO 2011). The RES programs were traditional competitive auction processes, with the resulting rates in the range of \$80 to 90/MWh. In contrast, the RESOP was a standard offer feed-in-tariff (FIT) mechanism that guaranteed a price of \$110/MWh (Loudermilk 2017). By policy, OPG was effectively prohibited from owning or operating wind generation (MOE 2005), so that wind projects were developed, owned and operated in the form of independent power producers (IPPs), mostly by the private sector. The restructured sector facilitated this policy. For the RES and RESOP programs, the single-buyer was OPA, which signed longterm contracts with the wind projects that included a contracts-for-difference mechanism. Of Ontario's 5.5 GW wind capacity, 1.8 GW were contracted under the RES and RESOP programs. A further 1.1 GW was procured as part of the Green Energy Investment Agreement (GEIA) that was negotiated bilaterally by the province and a foreign consortium (IESO 2024d).

To speed up the rollout of wind and solar and meet its renewables targets, government enacted the *Green Energy and Green Economy Act* (GEA) in 2009, which would later be renamed the *Green Energy Act* before being repealed in 2018. Modelled on German legislation, its key provisions included the rollout

of the standard offer FIT approach to procurement. The GEA also provided for the provincial government to override municipal opposition to the siting of wind turbines. This approach resulted in significant rural opposition to the GEA, including the adoption by some 155 Ontario municipalities of "unwilling host" resolutions (WCO 2024). A total of 2.5 GW was procured under the different FIT rounds, at an average of total FIT prices in the range of \$135 to \$145/MWh. Another 0.16 GW was procured in the competitive Large Renewable Procurement (LRP) with an average rate of between \$85 to \$90/MWh (Loudermilk 2017). Wind contracts generally had "escalation clauses" that increased the rate by one-fifth the rate of inflation (e.g. if inflation was 2.5 percent the contract rate could increase by 0.5 percent).

What is clear from the above analysis is that auction-based processes always resulted in lower prices. The government established relatively high standard offer FIT prices to increase the bankability of the wind projects and derisk sufficient entry to meet its policy goals. Figure 2 presents the result of this policy approach as it relates to wind, and other generation technologies, as well as the market price HOEP and the average overall cost of all generation.

Figure 2 shows that the price of wind is relatively very high and increases over time, due to the escalation clauses and higher-priced projects coming online. The average price for the 2014–2019 period was \$143/MWh and increased to \$151/MWh for the 2020–23 period. Further, because the price of wind is above the HOEP for the entire period, and due to the CfD mechanism, wind received a majority out-of-market revenues. Lastly, the wind price was always higher than the overall average cost of generation, meaning that the more wind was added to the mix, the higher the overall average generation price.

The impact that wind generation had on costs can be seen in Figure 3, which presents the same system cost data as in Figure 1, but from a different perspective. Figure 3 shows that from 2009 to 2022, wind accounted for \$2.0 billion of the \$4.5 billion (\$2022) increase as wind increased its percentage in the generation mix from 1.6 percent to 10 percent. That is to say, wind accounted for 44 percent of the increase in generation costs and 37 percent of the overall system costs. These findings are consistent with previous research that has documented a significant increase in Ontario system costs (Bishop et al. 2020) and that wind generation has been a significant driver of that increase (McKitrick and Adams 2014).

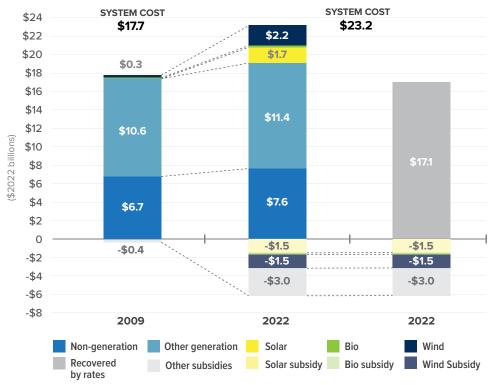
FIGURE 2: Ontario wholesale generation prices



2014-23 \$79 \$58 \$147 \$146 \$488 \$117 \$25 2020-23 \$94 \$60 \$124 \$151 \$494 \$128 \$30

Sources: OEB (2023 and previous), IESO (2024b), and author's calculations.

FIGURE 3: Ontario system costs: wind and subsidies



Source: MSP (2023), OEB (2023 and previous), and author's calculations.

As discussed in the previous section, in 2022 the Ontario government subsidized electricity prices to a total of \$6.1 billion through a half dozen programs, some of which ear-marked specific generation segments (FAO 2022). Indeed, the largest single subsidy program is the \$3.1 billion Renewables Cost Shift (RCS – also called the Comprehensive Electricity Program (CEP)), which is specifically targeted at wind, solar, and bio-mass generation (Sepulveda 2022). The wind and solar components of the RCS are \$1.5 billion each, with the bio component at \$0.1 billion. The other, non-RCS subsidies are \$3.0 billion. The cost of wind generation from Figure 3 is \$2.2 billion. Thus, wind generation received an ear-marked subsidy of about 70 percent (\$1.5/\$2.2) for 2022, resulting in a highly subsidized form of generation.

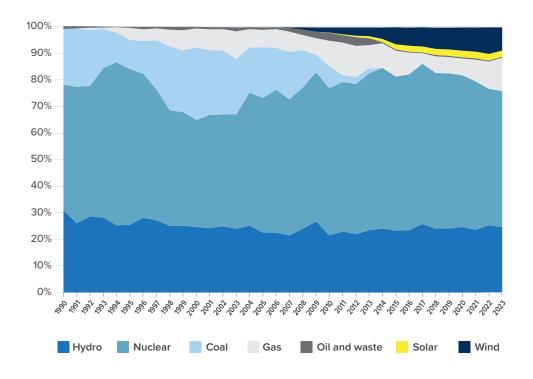
Nuclear and hydro-dominant low-emissions grid

The climate benefits of wind will generally depend on how wind interacts with the existing generation mix and its emissions intensity. On the one extreme, in a relatively high emission grid dominated by coal or oil, for instance, wind will tend to have a relatively higher climate benefit if it can displace coal or oil on a one-to-one, MWh-to-MWh basis. At the other extreme, in a relatively low emission grid dominated by nuclear or hydro with no coal, we would expect wind to have a relatively lower climate benefit. This is because it is likely to displace both non-emitting and emitting generation, and the emissions avoided from the emitting generation, such as gas, will be lower than that of coal or oil.

Ontario fits into the second category of grid where the climate benefits of wind are likely to be relatively lower. As shown in Figure 4, Ontario has a nuclear and hydro-dominant grid, with these two zero-emitting technologies accounting for between 65 percent to 85 percent of the generation mix (average of 77 percent) over the 1990–2023 period.

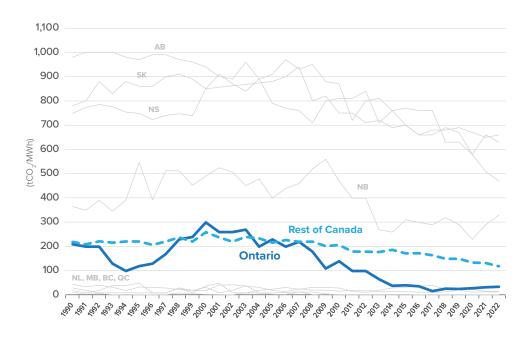
Coal generation peaked at 27 percent in 2000, based on which there was soon a concerted cross-political party consensus to eliminate it, which was achieved in 2014. From 2000 to 2014, for instance, nuclear generation increased its share by 20 percentage points, from 40 percent to 60 percent, thus accounting for 74 percent of the coal decrease (20 percent/27 percent). Wind was next with a 16 percent contribution (4 percent points/27 percent), followed by gas at 8 percent (2 percent points/27 percent), with the rest of the generating technologies making up the remaining 2 percent.

FIGURE 4: Ontario Generation mix



Sources: Canada (2024 and previous), IESO (2024c and previous), and author's calculations

FIGURE 5: Provincial electricity GHG emission intensity



Sources: Canada (2024, and previous), author's calculations.

Figure 5 shows the evolution of generation emission intensity from 1990 to 2022 for Ontario, the other provinces, and the "Rest of Canada" (all provinces and territories). Due to it being a nuclear and hydro-dominant province, Ontario has been at or well below the Rest of Canada for most of the 1990–2022 period. Indeed, since the elimination of coal, Ontario is one of the lowest-emissions larger grids (>100 TWh/year) in the world, with emissions intensity below 50 tons of carbon dioxide (tCO₂) per MWh every year since 2014, with an average of 32 tCO₂/MWh over the 2014–2022 period.

Wind profile and correlation with demand

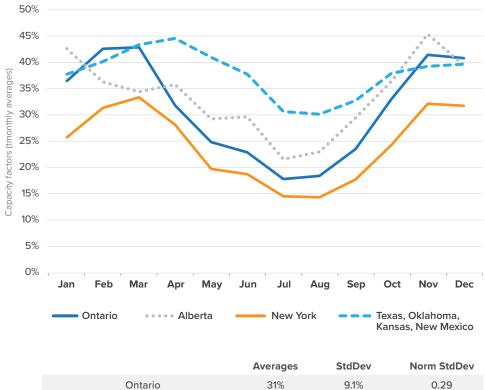
The climate benefits of wind will also depend on its particular profile in Ontario, including capacity factors over the year, and how that correlates with emitting generation and demand.

To compare Ontario's actual wind profile, we collected average monthly capacity factors from three other regions, as presented in Figure 6. This type of historical comparison is in contrast to studies that assess potential wind generation or other modelling analysis. For comparison we include New York because we would expect its profile to be comparable to that of Ontario (NYISO 2024, and previous). We also include two prairie/plains comparisons, Alberta (AESO 2024) and the "Lower Plains," as defined by the U.S. Energy Information Administration that includes Texas, Oklahoma, Kansas, and New Mexico (EIA 2022). The periods included in Figure 6 are 2019–2023 for NYISO and AESO, 2020–23 for Ontario, and 2016 to mid-2022 for the Lower Plains.

Except for Alberta, the other profiles in Figure 6 show some form of an "M" shape, with twin peaks around March and November and a pronounced trough in July-August. In contrast, the West Coast of Canada and the US (not shown) have an inverted "U" shape. Ontario's monthly capacity factors are always higher than that of New York, indicating that Ontario has a superior wind profile. However, Ontario's average capacity factor of 31 percent is lower than that of Alberta (34 percent) and of the Lower Plains (38 percent). As shown in Figure 6, Ontario generally compares favourably to these other regions during the peaks. It is Ontario's more pronounced and prolonged summer trough that brings down its average annual capacity factor.

One of the innovations of this report is that the regression and cost-benefit analysis considers this seasonal variation. Indeed, for the rest of the report

Figure 6: Average monthly wind capacity factors



 Averages
 Stablev
 Norm Stablev

 Ontario
 31%
 9.1%
 0.29

 Alberta
 34%
 7.0%
 0.21

 New York
 24%
 6.8%
 0.28

 Texas, Oklahoma, Kansas, New Mexico
 38%
 4.4%
 0.12

Sources: AESO (2024), EIA (2022), NYISO (2024 and previous), and author's calculations.

we use weekly data, Week 1 to 52 of the year, to more accurately capture this seasonality. We construct a custom database for the four most recently available years, 2020 to 2023, based on publicly available data (IESO 2024b). We use this database in this chapter to graphically present the results and in Chapter 3 as the basis for the regression and cost-benefit analyses. This hourly data is only available for transmission-connected generation, which covers 92 percent of all generation, with distribution-connected capacity making up the remaining 8 percent, with the ratio for wind being 89 percent/11 percent respectively (IESO 2024c).

For our database we use the hour as the basic unit of analysis and group all hours in seven-day periods from January 1 of every year, from Week 1 to Week 52. Fifty-two 7-day weeks adds up to 364 days, so we need to add an eighth day to one of the weeks. Each of the weeks from Week 1 to Week 51 have seven days thus a total of 672 hours (24 hours x 7 days x 4 years). Week 52 will get an extra day thus having 768 hours (24 hours x 8 days x 4 years). For analytical purposes we exclude the 24 data points for February 29 of 2020, a leap year.

Figure 7 shows the average hourly demand and generation for the years 2020–23, by week of the year. Ontario demand has two troughs and two peaks. The troughs are Weeks 15 to 20 in spring, and Weeks 39 to 43 in the autumn. There is a summer peak in Weeks 27 to 34 and a winter peak from Weeks 49 to 7. The summer peak is associated with higher space cooling and the winter peak with higher space heating and industrial use. Over the year, demand averaged

FIGURE 7: Ontario demand and generation 2020-23, by week 18,000 15,000 14,000 HRW (hour everage) 6.000 Hydro Domand Hydro Nuclear Wind Demand Gas 1,661 4,115 9,324 1,425 15,422 Average StdDev 683 302 641 460 1.209 Normal StdDev 0.07 0.07 0.41 0.32 0.08

4,000 3,500 3,000 MW (hour average) 2,500 2,000 1,500 1,000 500 Hydro Nuclear Wind Demand Correlation Demand Gas 0.649 0.539 Nuclear Hydro 0.032 -0.267 Wind 0.047 -0.266 Gas 0.862 1.000

Figure 8: Ontario demand and generation (from minima) 2020-23, by week

Sources: IESO (2024b), author's calculations.

15,422 MW and had a normalized standard deviation of 0.08. Wind averaged 1,425 MW with a normalized standard deviation of 0.32.

Figure 8 shows the same data as in Figure 7, but this time setting the respective minima at zero for each series. For example, Figure 8 shows the two trough/two peak Ontario demand profile and highlights that nuclear is positively correlated with Ontario demand (correlation co-efficient = 0.649). The correlation coefficient measures the strength of the relationship between two variables, going from -1.00 (perfect negative correlation means that two variables move in opposite direction all the time), to 1.00 (perfect positive correlation means that two variables move in the same direction all the time), with 0.00 meaning uncorrelated.

This type of nuclear seasonal "load following" is made possible by planning maintenance outages for Ontario's fleet of 18 nuclear reactors in a coordinated manner consistent with Ontario demand. Gas generation is very strongly correlated with Ontario demand, with a correlation co-efficient of 0.862, reflecting its "peaking" function. In contrast, wind generation is uncorrelated with Ontario demand, with a coefficient of 0.047. Figure 8 also includes correlation data with gas and shows that wind is negatively correlated with gas generation, with a coefficient of -0.266. This indicates that wind did not efficiently displace gas in Ontario. We explore this in further detail in the following chapter.

Regression and cost-benefit analysis

In this chapter we undertake regression analysis to assess how wind generation interacted in Ontario's nuclear and hydro-dominant grid for the four years from 2020 to 2023. We apply these regression results to a historical cost-benefit analysis of wind generation for the 2020–2023 period and a forward-looking cost-benefit analysis for the 2027–2030 period.

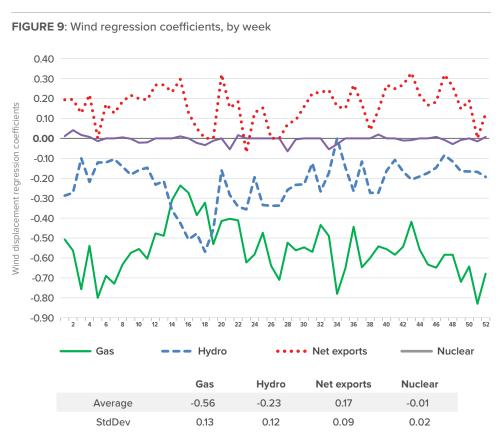
Regression analysis for 2020-23

Our regression analysis is designed to estimate the manner wind generation interacted with the rest of the Ontario grid over the 2020–23 period. As set out in the Appendix, our objective is calculating regression coefficients that quantify whether and by how much wind generation is statistically associated with decreases or increases of other types of generation. In our case, we focus on the three largest generation technologies in Ontario, nuclear, hydro and gas. We also model whether and by how much wind generation increases/decreases net exports (NX) from/to other provinces and the US.

Our work differs from previous research by specifically considering the seasonal variation of wind by calculating separate week of year regressions over the 2020–23 period. In summary, beginning from available hourly transmission-connected generation from IESO, we pool hourly data by the week of the year as described in Chapter 2. We then we carry out 208 regressions, one for each of the week of the year (52) for four variables (gas hydro, nuclear, and NX).

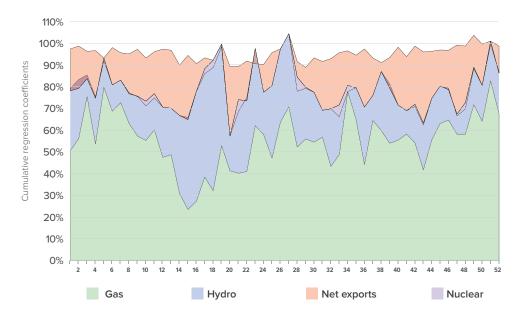
Figure 9 presents the results of the wind interaction coefficients for the 208 regressions. Statistically significant coefficients are presented by their coefficient results; insignificant results are presented as zero. Overall, the regression results were strong, with relatively high adjusted R² and other significance parameters (see Appendix for regression methodology and more detailed results). These coefficient results indicate that on average 1.00 MWh of wind generation was statistically associated with the following: a decrease (displacement) of -0.56 MWh of gas, a decrease (displacement) of -0.23 MWh of hydro, an increase (contribution) of 0.17 MWh to NX and had a minimal impact (-0.01 MWh) on nuclear. These results indicate that in Ontario's low-emissions nuclear and hydro-dominant grid, only about 56 percent of wind output goes to displacing gas generation.

Figure 9 highlights the importance of seasonal variation around these annual averages. During the winter peak of Ontario demand in Week 5, for example, it shows that each 1.00 MWh of wind displaced -0.80 MWh of gas. For the same Week 5, wind displaced -0.12 MWh of hydro. On the other hand,



Source: Author's calculations.

FIGURE 10: Cumulative wind regression coefficients, by week



Source: Author's calculations.

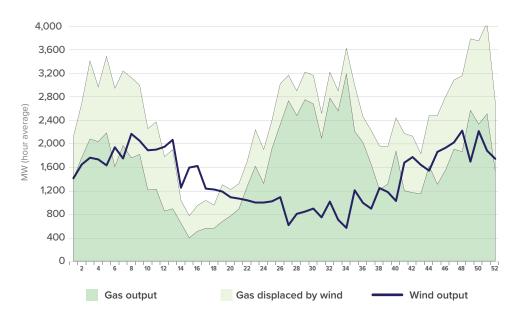
over the summer Ontario demand peak of Weeks 29 to 35, 1.00 MWh of wind on average displaced -0.58 MWh of gas, -0.17 MWh of hydro, and contributed 0.18 MWh to NX. The climate benefits associated with wind displacing gas, therefore, depend on the week of the year.

Another manner of presenting the regression results is by adding the absolute values for each of the four coefficient results over the 52 weeks, as shown in Figure 10. This figure shows that these add to approximately 100 percent for every week, confirming that the four regressions are capturing virtually the whole of the wind interaction in the Ontario grid over the entire year.

How much gas is wind displacing over the year? Figure 11 shows average gas output, the amount of gas displaced by wind and wind output. To be clear, the displaced gas did not occur – it is an estimate of the gas that would have occurred had wind not existed. It is the gas avoided. During Week 5, for instance, wind displaced about 1,302 MW of gas generation per hour. In contrast, during Weeks 29 to 34, wind displaced an average of only 434 MW of gas per hour. These results confirm that climate benefits of wind displacing gas depend on the week of the year.

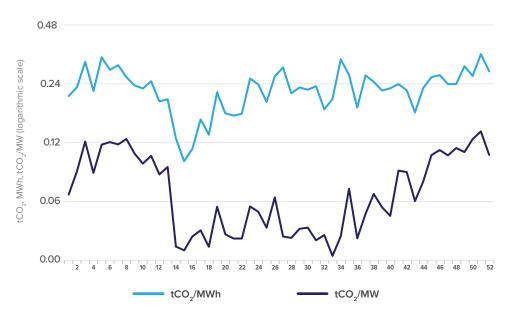
Figure 12 shows these climate benefits directly, by showing how much ${\rm CO_2}$ is avoided by wind. It shows that on average 1.00 MWh (generation) of wind

Figure 11: Gas generation and displacement 2023–23, by week



Sources: IESO (2024b), Author's calculations.

Figure 12: tCO_2 reductions due to wind 2020–23, by week



	Average	StdDev	Norm StdDev
tCO ₂ avoided per MWh	0.227	0.052	0.23
tCO ₂ avoided in one hour per MW	0.072	0.031	0.44

Source: Author's calculations.

displaces $0.227~{\rm tCO}_2$ (the wind emissions offset), and that $1.00~{\rm MW}$ (capacity) of wind displaces $0.072~{\rm tCO}_2$ per hour the wind capacity emissions offset. This confirms that the capacity and output avoided ${\rm CO}_2$ ratio (0.072/0.227) is the same as average wind capacity factor (31 percent). From a capacity perspective, Figure 12 shows that the capacity value of wind with respect to climate are lowest in weeks 14 to 34, during which $1.00~{\rm MW}$ displaces only $0.043~{\rm tCO}_2$ per hour.

Cost-benefit analysis for 2020-23

The analysis presented in Chapter 2 indicated that in Ontario wind was generally higher priced and so that as it increased its participation in the generation mix it was disproportionately responsible for higher system costs, which resulted in it being highly subsidized. This section expands this analysis to assess the cost-benefit of a more comprehensive perspective, including estimating the financial impacts of how wind interacts with the other modelled generation resources and NX, as well as placing a monetary value on the avoided CO₂ emissions in the form of the Social Cost of Carbon (SCC). From an Ontario perspective, there are two elements on the cost side, and four elements to the benefit side of the cost-benefit analysis, which we discuss below.

Cost analysis

There are two elements on the cost side: the expenses associated with wind output and with wind curtailment. Average annual wind output expenses are equal to average output over the 2020–23 period (12.5 TWh) times the average wind price over the same period (\$151/MWh).

Ontario has been a net exporter of electricity since the late-2000s, mostly driven by a condition that IESO refers to as "surplus baseload generation" (SBG), which occurs when electricity production from nuclear, hydro, wind, and solar is greater than Ontario demand (OPG 2024). For grid stability purposes IESO must balance surplus and deficit power situations. IESO's first "escape valve" in surplus situations is to increase exports; the second is to reduce Ontario generation, including wind generation. Such wind reductions are referred to as "curtailment." As in other jurisdictions, wind IPPs are compensated for curtailment. IESO calculates the estimated capability for every wind turbine in Ontario based on a series of parameters, including available installed capacity, and actual wind speed at the location, based on sensors. The difference between

3,200

1,600

800

400

200

100

50

Wind output

Wind curtailment

Figure 13: Ontario wind output and curtailment 2023-2023, by week

Sources: IESO (2024b), author's calculations.

actual and IESO forecast wind generation is referred to as "curtailed wind." Average annual expenses associated with wind curtailment is equal to average wind curtailment over the 2020–23 period (1.3 TWh) times the average wind price over the same period (\$151/MWh).

Figure 13 shows average hourly wind generation and curtailment for the 2020–23 period. Curtailed wind is highest during the hydro peak freshet in Weeks 16 to 21 and lowest during the Ontario summer demand peak in Weeks 27 to 34. In operational terms wind curtailment is implemented by idling some or all turbines at a particular site.

Benefits analysis

There are four elements on the benefits side: the financial savings from decreased hydro and gas generation, the increased revenues from increased NX, and the financial benefits from avoided CO₂. We do not include any financial impact of nuclear given wind's minimal impact on this form of generation. Because of specific financial provisions discussed below, it is important to highlight that there is a difference between effective price of a wind-displaced MWh of hydro and gas and their respective "sticker" prices, as presented in Figure 2.

Our regression-based estimates indicate that wind decreases hydro generation by an average of 2.7 TWh/year over the 2020–23 period. We calculate the effective price of that reduction by associating wind-related decreased hydro generation with forgone hydro production due to SBG conditions. OPG, which has 84 percent of Ontario's hydro resources, reported forgone production of 2.2 TWh/year over the 2020–23 period (OPG 2024, and previous), so that for the sector as whole that would be 2.6 TWh/year, very close to the regression-based estimates. OPG was compensated for its forgone hydro generation at \$30/MWh based on series of OEB-approved deferral accounts (OPG 2024, and previous). During this period OPG's regulated hydro rate was \$43/MWh, so the difference between that and the compensated price (\$30/MWh) equals the per MWh savings from wind-decreased hydro (\$13/MWh).

As discussed above, gas generation in Ontario is used as peaking and to back up wind and solar and not as "baseload," and is not generally subject to SBG-related reductions. The way gas has been contracted reflects its profile in Ontario. Indeed, about 70 percent of gas generation is contracted under deemed revenue monthly payments designed to promote the availability of gas capacity when it is needed. In summary, for each different gas plant IESO establishes a fixed dollar amount to pay for fixed capital and operational costs, as if there was no gas generation. From that amount IESO subtracts the net revenues that specific generator should have earned ("deemed revenues") in the market, after paying for the natural gas and other approved variable costs. Deemed hours of generation are those during which the HOEP exceeded the specific operator's approved net variable costs. To ensure stand-by capacity, this system "tops up" net energy revenues with a form of capacity payment to "make whole" the generators. Under this specific contractual arrangement, the financial savings from displaced gas generation is equal to the value of the natural gas and other approved variable costs. The gas generation savings therefore are based on the average 2020-23 Dawn Hub natural gas price (\$4.50/MMBtu) multiplied by the gas saved (54.1 million MMBtu/year). This is equivalent to \$34.5/MWh for 7.0 TWh, to which we add \$5/MWh as a proxy for the other variable costs.

We calculate revenues from NX by multiplying the average regression-based additional NX for the 2020–23 period (2.2 TWh) by the average NX price of \$37/MWh. For the financial valuation of avoided CO₂ we use a SCC

FIGURE 14: Cost-benefit of wind generation, 2020-23



Sources: Author's calculations.

of \$50/tCO₂ (Bahramian et al. 2021, Canada 2018) and multiply it by the avoided emissions (2.9 MtCO₂) associated with the displaced gas.

The summary results of the 2020–23 cost-benefit analysis are presented in Figure 14, which includes the two cost and four benefit elements as well as the overall cost-benefit, all by week of the year. To facilitate comparisons with other scenarios, we calculate the cost-benefit result on a MWh basis, at -\$124/MWh. This means that the costs of wind generation in Ontario during the 2020–23 period far exceeded the corresponding climate and other benefits. This result is driven by the relatively high contracted wind price over the period (\$151/MWh) and by our finding that while wind displaced some gas generation, it also displaced lower priced zero-emission hydro and contributed to lower priced NX.

Cost-benefit analysis for 2027–2030

In this section we undertake a forward-looking cost-benefit analysis for the 2027–2030 period. We chose this period because it is relatively soon from an energy system perspective, and hence the regression parameters that we calculated for 2020–23 are likely to remain reasonably valid. Our analysis serves for two scenarios. One is for the legacy wind projects whose 20-year contracts would expire in and around this period. These could include the RES, RESOP and early FIT wind projects contracted in the 2004 to 2010 period. As it has for other resources whose contracts have expired, there could be a mutual interest between IESO and wind IPPs to re-contract, depending on operational state of the resources. Our study provides an assessment of the price at which such a re-contracting could be cost-beneficial. Our work also serves to provide insight into the cost-benefit of new wind projects.

Conceptually, the biggest difference between the cost-benefit analysis of legacy or new projects would be the inclusion in the latter of the system and other costs of adding new wind. This would include new transmission resources to enable the expansion of wind, possibly new back-up or storage facilities and related ancillary services. While this type of detailed modelling is outside the scope of this study, it is important to keep in mind that these incremental costs are likely to be significant. For example, IESO estimates that the average cost of new transmission to 2050 for wind projects is in the range of \$25/MWh (IESO 2022).

For the 2027–2030 scenario we maintain most of the same parameters that we used for the 2020–23 analysis: same regression parameters, same baseline generation, same SCC and NX prices. We update the natural gas price based on the average 2027–2030 forecast used by IESO, of \$6.35/MMBtu (IESO 2024a). As a base, we use a (rounded) reference wind price of \$80/MWh, based on applying Ontario's wind capacity factor of 31 percent to a recent levelized cost of energy (LCOE) study for wind for 2022 (NREL 2023). Given the recent trajectory of wind LCOEs and uncertainty over its future evolution, we use the same nominal amount of \$80/MWh for the 2027–2030 period.

Figure 15 presents the results for the 2027–2030 period, with a cost-benefit result of -\$38/MWh. This result is based on a 10 percent increase in wind generation relative to the baseline amount, but the size-normalized result of -\$38/MWh equally applies to both re-contracted legacy and new wind projects.

\$2 \$0 \$million/year -\$1 -\$2 -\$3 -\$4 Hydro savings Gas savings CO, avoided Net exports Wind costs Wind curtail costs Net cost-benefit Wind price (\$/MWh) \$80 Hydro savings (\$/MWh) \$13 Gas savings (\$/MWh) \$54 NX revenues (\$/MWh) \$37 SCC (\$/tCO₂) \$50 Wind cost-benefit (\$/MWh) -\$38

Figure 15: Cost-benefit of wind generation, 2027–2030

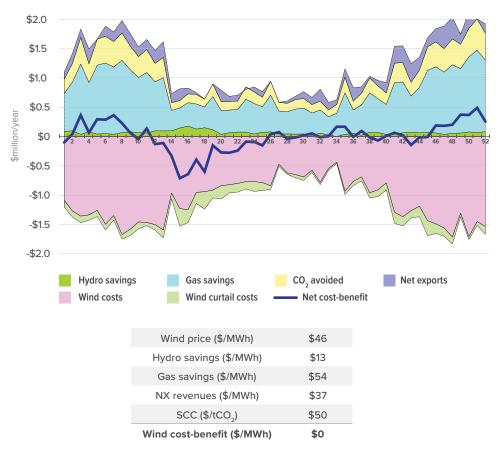
Source: Author's calculations.

These results suggest that even at the lower reference price of \$80/MWh relative to the \$151/MWh that held during the 2020–23 period, the costs associated with wind generation still exceed the corresponding climate and other benefits.

Sensitivity analyses for 2027–2030

There are an infinite number of possible variations of the baseline and reference amounts to test the sensitivity of the reference 2027–2030 results. For example, Figure 16 shows that \$46/MWh is the "break-even" wind price required to set the cost-benefit = \$0/MWh. Figure 16 shows that around the average there is significant variation, so that the negative cost-benefit during Weeks 13–27 is offset with the positive results during most of the rest of the year. The break-even price of \$46/MWh is well below both the actual average 2020–23 price of \$151/MWh and the LCOE-based reference price for 2027–2030 of \$80/MWh.

Figure 16: Price-varying break-even scenario, 2027–2030

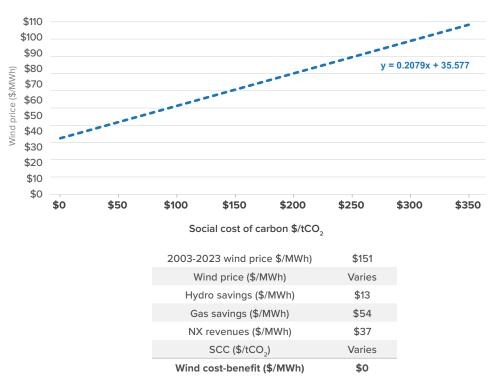


Source: Author's calculations

This sensitivity analyses can be generalized. Figure 17 presents the breakeven cost-benefit isoline that results from varying the SCC and wind price. The line has a slope of \$0.2079 and a constant of \$35.577, meaning that every \$1 increase in the SCC raises the break-even price by \$0.2079/MWh. For example, using a SCC of \$0/tCO₂ would result in a break-even wind price of \$35.577/MWh. Setting it at \$50/tCO₂ (Bahramian et al. 2021, Canada 2018) gives us the \$46/MWh result noted above. Further increasing the SCC to \$150/tCO₂ (Canada 2021) results in a wind price of \$67/MWh. Increasing the SCC to \$350/tCO₂ (Canada 2023) yields a break-even wind price of \$108/MWh. All these prices in comparison to \$151/MWh for the 2020–23 period.

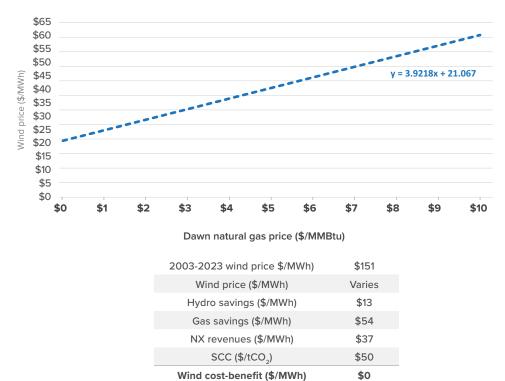
Another sensitivity analysis is presented in Figure 18, which shows the break-even cost-benefit isoline that results from varying the natural gas price

Figure 17: Break-even isoline for SCC and wind prices, 2027–2030



Source: Author's calculations

Figure 18: Break-even isoline for natural gas price and wind price, 2027–2030



Source: Author's calculations

and wind price. For example, using the lowest annual average gas price during the 2015–2023 period of \$2.5/MMBtu (in 2020) yields a break-even wind generation price of \$31/MWh. Setting it at the average 2020–23 of \$4.50/MMBtu gives us \$39/MWh. Setting it at its reference value at \$6.35/MMBtu results in a break-even price of \$46/MWh discussed above. Increasing the natural gas price to \$10/MMBtu (which was near the highest monthly average in the 2020–23 period during the energy crises) would result in a break-even wind generation price of \$60/MWh. All these prices are in comparison to the 2020–23 wind price of \$151/MWh or the LCOE-based reference price of \$80/MWh.

Comparison with the literature

Our regression results are comparable to those of an earlier Ontario study (Bahramian et al. 2021) suggesting that the results are robust relative to level of data aggregation and to time period. We also calculated a wind emissions offset of 0.227 tCO₂/MWh and a wind capacity emissions offset of 0.072 tCO₂/MW per hour.

For the Texas grid (Cullen 2013) calculated the following wind coefficients: -0.18 for coal, -0.85 for gas, and very small impacts for nuclear, hydro and others and a total wind emissions offset of 0.561 tCO₂/MWh. At a capacity of 5.0 GW, Novan (2015) estimated a wind emissions offset of 0.670 tCO₂/MWh. Fell and Johnson (2021) estimated in-region wind emissions offsets ranging from 0.15 to 0.59 tCO₂/MWh across the nine US regions study, including 0.53 tCO₂ for Texas.

These other studies confirm that the regression and emissions offsets results vary by region depending on how wind interacts with the specific generation mix, and specifically the extent to which it displaces higher (coal and oil) or lower-emitting (gas) technologies. Ontario's wind emission offset of 0.227 tCO₂/MWh is relatively low, at only 43 percent of Texas (0.227 vs. 0.53 tCO₂/MWh), for instance. This reflects that in Ontario one MWh of wind displaces only about half a MWh of gas, a relatively lower-emitting technology, compared to other regions where wind tends to displace relatively more coal and/or gas. Likewise, because of Ontario's relatively modest wind capacity factor, its wind capacity emissions offset is relatively even lower than Texas at just 37 percent (0.072 vs. 0.196 tCO₂/MW per hour).

Policy discussion

Our analysis can inform policy options with respect to legacy and new wind projects.

For legacy wind projects whose contracts expire before 2030 the choice faced by owners will be either to decommission or to continue operations either "as is" or under partial/full repowering. Financially, the wind IPPs would recognize that re-contracting at or near \$151/MWh is unlikely to be politically or economically feasible and that continuing operations could be done under a new contract with IESO or uncontracted, either a pure HOEPonly market merchant or with a third party Power Purchase Agreement (PPA). From an IESO perspective, our analysis is clear that the societal break-even contract price is about \$46/MWh. The LCOE-based reference price of \$80/ MWh is based on new builds, not on long-term operation. Assuming that the initial wind project financing in Ontario was for 20 years or less, at contract termination the incremental costs of long-term operation with no or modest partial repowering could well be at or below \$46/MWh. In comparison, the relative attractiveness of the HOEP-only alternative would depend on longterm forecasts of the HOEP. The HOEP averaged \$30 during 2020–23 period, with an annual peak of \$47 in 2022 during the energy crisis.

One approach would be for IESO to design and offer a wind re-contracting standard offer of \$46/MWh for a maximum of a ten-year CfD-type mechanism. Wind IPPs would then be able to determine their decommissioning/continuation business decision based on this standard offer and their specific situation, including expected lifetime of existing equipment and long-term costs of operation. Some wind operations would shut down, some will recontract with IESO, and some may continue operations either under a third party PPA or be pure merchant. By way of reference, for the Eastern US the average PPA in 2021–22 was about \$65/MWh (DOE 2023).

On a stand-alone basis, not considering incremental transmission and other system costs, a similar cost-benefit perspective applies for new wind projects. From an IESO perspective, the same societal break-even contract rice of about \$46/MWh applies. However, the new build-based reference price results in a large gap between the social price (\$46/MWh) and the private cost (\$80/MWh). There are a number of options in this regard.

One option is to continue to move forward under the current private wind IPP contractual approach and for the IESO to design a competitive auction process with a maximum "reserve price" of \$46/MWh. The reserve price is a critical because if it is set too high it could lead to a low value for money result for the public, but if set too low, wind IPPs may decide not to participate because it does not meet their target weighted average cost of capital (WACC).

Another possibility is to discard the contractual approach in favour of financing and compensating wind projects based on cost-of-service economic regulation. There is no particular reason that wind should be treated any differently than the majority of generation resources in Ontario or Canada as a whole. The argument that the contractual approach is always superior to economic regulation simply does not hold for wind in Ontario over the last 20 years. Indeed, economic regulation could do a better job of aligning public costs with public benefits.

There is no particular reason that wind should be treated any differently than the majority of generation resources in Ontario or Canada as a whole.

A third option would be to leverage the larger economies of scale and lower cost of public financing and have new wind projects publicly-owned and operated.

This is already the case of about half of the wind capacity in PEI (PEIEC 2024) and is the thrust of the just-announced strategy in Quebec that aims to roll out 10 GW of new publicly-owned wind by 2035 (Hydro-Québec 2024). For Ontario this would require the lifting of the current policy restriction on OPG that essentially prohibits it from wind generation (MOE 2005). As discussed above, the wind assets would enter OPG's regulated "rate base" and be subject to the lower cost of financing associated with provincially backed Crown corporations, compared to private financing. Another benefit would come from centralized purchasing and other economies of scale that could result in savings of as much as 20 percent (Hydro-Québec 2024).

Conclusion

So complete was its political defeat in 2018 and so few are its current supporters that GEA-like legislation will likely not be implemented again in Ontario for many generations. The GEA allowed for the imposition of third-party sited wind projects over local opposition (WCO 2024) and contributed to a ballooning of electricity prices, which resulted in an unprecedented subsidization of wind and other costs that now total \$7.3 billion a year (Ontario 2024a), equivalent to 0.65 percent of GDP (Ontario 2024b). Rates in Ontario recover only 73 percent of system costs. No other government in Canada has subsidized their electricity sector by this much for so long.

Our research shows that costs of wind far exceed its societal and climate benefits for the 2020–23 period, with average net cost of -\$124/MWh. Such a negative result is a combination of Ontario's relatively low wind emissions offset (0.227 tCO₂/MWh) and high wind prices (\$151/MWh). We also undertook a forward-looking cost-benefit analysis for the 2027–2030 period and calculate an average net cost of wind of -\$38/MWh based on a reference price of \$80/MWh. The cost-benefit "break-even" wind price for the 2027–2030 period is \$46/MWh.

There are financial and structural challenges to align the public costs and benefits of wind generation in Ontario. By design, the public costs were contractually "baked in" in the short and medium term. Despite the current government campaigning on "reviewing" the long-term wind contracts that averaged \$151/MWh in 2020–23, once in government it decided not to do so (IESO 2020), but instead increased the size of the subsidies introduced by the previous government in 2017. This means that the government has in effect decided to "wait out" for the high-priced contracts to expire. This report provides a policy framework for the province to assess the price for the re-contracting of those legacy wind projects, and for the procurement of new wind projects.

Structurally, wind's value is relatively low in Ontario's current low-emission nuclear and hydro-dominant grid. Ontario's average wind capacity factor is relatively low. While wind technology could improve this performance in an absolute sense, it will not change the comparative disadvantage, Further, from a seasonal perspective, wind in Ontario is negatively correlated with

gas generation, making it relatively inefficient at displacing it. Regardless of the price of wind, these structural short-comings would remain in the short and medium.

The challenge from a policy perspective is to implement programs that are sustainable over time and that align public costs with public benefits. The overall experience of wind generation in Ontario over the last twenty years has been that costs have far exceeded the benefits. Our hope is that this and other research contributions will provide the type of forward-looking guidance to ensure that any future wind development in Ontario is in the public interest. MLI

About the author



Edgardo Sepulveda is a regulatory economist with more than thirty years of experience in the telecommunications and electricity sectors. He has advised governments, regulatory agencies, companies, unions, and consumer advocates in more than forty countries. He has written on electricity issues for

the Progressive Economics Forum, the Canadian Centre for Policy Alternatives, and on his Profiles in Decarbonization website, available at: edcarb.org. Born in Chile, Sepulveda is fluent in English and Spanish and has a good working knowledge of French. He received his B.A. (Honours) from the University of British Columbia and his M.A. from Queen's University, both in Economics. He established Sepulveda Consulting Inc. (esepulveda.com) in 2006. MLI

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Appendix: Regression methodology

This section provides a summary of the regression methodology and results.

As noted, our regression analysis is based on a well-established economics literature examining the interaction of wind in various grids, including work on the Texas electricity grid (Cullen 2013, Novan 2015), and more recent work analyzing the Ontario grid (Bahramian et al. 2021) and several regions of the United States (Fell and Johnsson 2021).

To take into account seasonal variation, one of the innovations of our regression analysis is that we carry out separate regressions for each week of the year for our study period of 2020–23. To do this we construct a custom database for these four years, based on publicly available data (IESO 2024b). For our database we use the hour as the basic unit of analysis and group all hours in seven-day periods from January 1 of every year, from Week 1 to Week 52. Fifty-two 7-day weeks adds up to 364 days, so we need to add an eighth day to one of the weeks. Each of the weeks from Week 1 to Week 51 have seven days thus a total of 672 hours (24 hours x 7 days x 4 years). Week 52 will get an extra day thus having 768 hours (24 hours x 8 days x 4 years). For analytical purposes we exclude the 24 data points for February 29 of 2020, a leap year.

Our regression analysis is designed to estimate the manner wind generation interacted with the rest of the Ontario grid over the 2020–23 period. Our objective is calculating regression coefficients that quantify whether and by how much wind generation is statistically associated with decreases or increases of other types of generation. In our case, we focus on the three largest generation technologies in Ontario, nuclear, hydro and gas. We also model whether and by how much wind generation increases/decreases net exports (NX) from/to other provinces and the US.

We estimate the following four regression equations for each week "t" (from 1 to 52) of the year "i", for a total of 208 regressions ("Out" refers to output; "Cap" to capacity) and "ɛ" is the error term:

Out_Gas_i^t =
$$\alpha_{10}^t + \alpha_{11}^t$$
 Out_Wind_i + α_{12}^t Cap_Gas_i + α_{13}^t Cap_Nuclear_i + α_{14}^t Cap_Hydro_i + α_{15}^t Ontario_Demand_i + α_{16}^t External_Demand_i + ϵ_i^t

Out_Hydro_i^t = $\alpha_{20}^t + \alpha_{21}^t$ Out_Wind_i + α_{22}^t Cap_Gas_i + α_{23}^t Cap_Nuclear_i + α_{24}^t Cap_Hydro_i + α_{24}^t Ontario_Demand_i + α_{26}^t External_Demand_i + ϵ_i^t

Net Exports_i^t = $\alpha_{30}^t + \alpha_{31}^t$ Out_Wind_i + α_{32}^t Cap_Gas_i + α_{33}^t Cap_Nuclear_i + α_{34}^t Cap_Hydro_i + α_{35}^t Ontario_Demand_i + α_{36}^t External_Demand_i + ϵ_i^t

Out_Nuclear_i = $\alpha_{40t}^t + \alpha_{41}^t$ Out_Wind_i + α_{42}^t Cap_Gas_i + α_{43}^t Cap_Nuclear_i + α_{44}^t Cap_Hydro_i + α_{45}^t Ontario_Demand_i + α_{46}^t External_Demand_i + α_{45}^t Ontario_Demand_i + α_{46}^t External_Demand_i + α_{45}^t Ontario_Demand_i + α_{46}^t External_Demand_i + α_{45}^t Ontario_Demand_i +

Table A1 on page 44 presents the summary regression results by week of year for the wind-coefficients for Gas (α_{11}), Hydro (α_{21}), NX and Gas (α_{31}) and Nuclear (α_{41}). Statistically-significant coefficients are presented by their coefficient results; insignificant results are presented as zero. In this respect we present the significance code for the corresponding level of significance. For the regression as a whole, we present the adjusted R². To correct for autocorrelation, we use "Driscoll-Kraay" standard errors. Table A1 also includes the number of observations for each regression, as highlighted above. MLI

TABLE A1: Summary of regression results

.,		,	GAS	11 0331011		HYDR	0	NET	EXPO	DTC	N	UCLE/	\D
Obs.	Week	Wind		Adj.R2	Wind		Adj.R2	Wind		Adj.R2	Wind		Adj.R2
672	1	-0.51	***	0.85	-0.29	***	0.78	0.19	***	0.83	0.01	*	1.00
672	2	-0.56	***	0.83	-0.27	***	0.75	0.20	***	0.71	0.04	***	0.93
672	3	-0.76	***	0.82	-0.10	***	0.71	0.13	***	0.72	0.02	***	0.99
672	4	-0.54	***	0.78	-0.22	***	0.70	0.22	***	0.68	0.01	*	0.97
672	5	-0.80	***	0.86	-0.12	***	0.75	0.00		0.61	-0.01	***	0.92
672	6	-0.69	***	0.76	-0.12	***	0.68	0.17	***	0.68	0.00		0.98
672	7	-0.73	***	0.84	-0.10	***	0.56	0.13	***	0.65	0.00		0.98
672	8	-0.63	***	0.81	-0.14	***	0.71	0.18	***	0.73	0.01	**	0.99
672	9	-0.57	***	0.81	-0.18	***	0.70	0.22	***	0.74	-0.00	+	1.00
672	10	-0.55	***	0.73	-0.16	***	0.68	0.20	***	0.79	-0.02	**	0.96
672	11	-0.60	***	0.82	-0.15	***	0.59	0.19	***	0.87	-0.02	**	0.97
672	12	-0.48	***	0.74	-0.23	***	0.66	0.27	***	0.85	0.00		0.95
672	13	-0.49	***	0.71	-0.21	***	0.56	0.27	***	0.87	0.00		0.98
672	14	-0.31	***	0.64	-0.36	***	0.62	0.23	***	0.88	0.00		0.99
672	15	-0.24	***	0.57	-0.42	***	0.79	0.30	***	0.91	0.01	*	0.96
672	16	-0.27	***	0.60	-0.51	***	0.74	0.13	*	0.85	0.00		1.00
672	17	-0.39	***	0.79	-0.48	***	0.90	0.05	+	0.92	-0.02	+	0.96
672	18	-0.32	***	0.66	-0.57	***	0.87	0.00		0.91	-0.03	*	0.95
672	19	-0.53	***	0.82	-0.46	***	0.81	0.00		0.87	-0.01	+	0.99
672	20	-0.41	***	0.80	-0.16	***	0.70	0.32	***	0.94	0.00		1.00
672	21	-0.40	***	0.79	-0.28	***	0.74	0.15	***	0.90	-0.06	***	0.98
672	22	-0.41	***	0.88	-0.34	***	0.67	0.18	***	0.90	0.02	**	0.96
672	23	-0.62	***	0.76	-0.36	***	0.32	-0.07	*	0.80	0.00		0.92
672	24	-0.58	***	0.85	-0.20	***	0.72	0.13	***	0.90	0.00		0.96
672	25	-0.47	***	0.85	-0.33	***	0.75	0.15	***	0.80	0.00		0.93
672	26	-0.64	***	0.87	-0.34	***	0.68	0.00		0.71	0.00		0.98
672	27	-0.71	***	0.87	-0.34	***	0.82	0.00		0.76	0.00		0.99
672	28	-0.52	***	0.81	-0.26	***	0.80	0.07	**	0.55	-0.07	***	0.96
672	29	-0.56	***	0.88	-0.23	***	0.79	0.09	*	0.75	-0.01	+	0.99
672	30	-0.55	***	0.88	-0.23	***	0.76	0.16	***	0.78	0.00		1.00
672	31	-0.57	***	0.85	-0.12	***	0.67	0.23	***	0.70	0.00		0.99
672	32	-0.43	***	0.91	-0.27	***	0.79	0.23	***	0.72	0.00	**	0.97
672	33	-0.49	***	0.88	-0.17	***	0.74	0.24	***	0.69	-0.06	**	0.96
672	34	-0.78	***	0.91	0.00	***	0.73	0.16	***	0.82	-0.03		0.96
672 672	35 36	-0.65 -0.44	***	0.90 0.88	-0.15 -0.27	***	0.69	0.15 0.27	***	0.76 0.78	0.00		0.95 0.95
672	37	-0.44	***	0.82	-0.27	**	0.62	0.27	***	0.74	0.00		0.96
672	38	-0.60	***	0.82	-0.12	***	0.02	0.17	+	0.75	0.00		0.98
672	39	-0.54	***	0.75	-0.27	***	0.75	0.04	**	0.73	0.00	**	0.98
672	40	-0.56	***	0.89	-0.16	***	0.74	0.14	***	0.83	0.02		0.98
672	41	-0.58	***	0.87	-0.11	***	0.63	0.25	***	0.88	0.00		0.98
672	42	-0.54	***	0.83	-0.17	***	0.71	0.27	***	0.91	-0.01	*	1.00
672	43	-0.42	***	0.73	-0.21	***	0.72	0.33	***	0.80	-0.01	***	1.00
672	44	-0.56	***	0.84	-0.19	***	0.70	0.22	***	0.76	0.00		1.00
672	45	-0.63	***	0.85	-0.17	***	0.68	0.17	***	0.71	0.00		0.98
672	46	-0.65	***	0.84	-0.15	***	0.69	0.18	***	0.78	0.01	+	0.99
672	47	-0.58	***	0.87	-0.08	***	0.67	0.32	***	0.71	-0.01	**	0.98
672	48	-0.58	***	0.92	-0.12	***	0.56	0.26	***	0.76	-0.03	**	0.86
672	49	-0.72	***	0.84	-0.17	***	0.56	0.15	***	0.67	-0.01	*	0.95
672	50	-0.64	***	0.89	-0.17	***	0.80	0.19	***	0.81	0.00		0.97
672	51	-0.83	***	0.86	-0.17	***	0.82	0.00		0.65	-0.02	***	0.98
768	52	-0.68	***	0.83	-0.19	***	0.79	0.13	***	0.76	0.01	**	0.99
	/G	-0.56		0.82	-0.23		0.71	0.17		0.78	-0.01		0.97
		'			1		1	1			1		

Significance Codes: *** = 0.001, ** = 0.010, * = 0.050, + = 0.100

Source: Author's calculations.





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Conversation and Parks

VIA EMAIL:

Hon. Rob Flack

Paul.Calandra@pc.ola.org

Hon. Doug Ford Premier of Ontario VIA EMAIL:

premier@ontario.ca

Hon. Matthew Rae, MPP

VIA EMAIL:

Matthew.Rae@pc.ola.org

Minister of Agriculture,

Food, and Agribusiness

VIA EMAIL:

minister.omafra@ontario.ca

Hon. Ted Arnott, MPP

VIA EMAIL:

ted.arnottco@pc.ola.org

Barclay Nap

Wellington Federation of

Agriculture VIA EMAIL:

napbarclay@gmail.com

RE: Motion for the Protection of Agricultural Lands and Sustainable Development in Relation to Provincial Projects and Excess Soil Management Practices

Please be advised that Township of Puslinch Council, at its meeting held on October 23, 2024 considered the aforementioned topic and subsequent to discussion, the following was resolved:

Resolution No. 2024-378: Moved by Councillor Hurst and

Seconded by Councillor Sepulis

Whereas the provincial government is undertaking:

- a) significant road and underground projects over the next ten years which will generate significant excess soil to be managed and disposed; and
- b) studies of underground projects that if implemented will also generate significant excess soil: and



Whereas landfill sites across Ontario are already near capacity, necessitating amendments to legislation to allow certain quality soil to be disposed at excess soil reuse sites instead of being disposed of in landfills effective January 1, 2025; and

Whereas the Ministry of the Environment, Conservation and Parks (MECP) is currently under resourced and lacks the capacity to effectively manage the additional enforcement and oversight required for the relocation of excess soil; and

Whereas the responsibility to enforce and oversee excess soil regulations is being downloaded onto municipalities, which have limited enforcement capabilities and face the risk of significant costs being passed on to local taxpayers; and

Whereas contamination of existing soil and groundwater is a significant concern, particularly in rural municipalities with valuable agricultural lands and reliance on groundwater for its residents; and

Whereas agricultural lands must be prioritized equally with housing needs, roads and underground infrastructure; failure to adequately protect these lands could exacerbate the ongoing food crisis in Ontario; and

Whereas Ontario is not alone in navigating the challenges of sustainable development, and the United Nations provides guidance through its Sustainable Development Report, which includes goals focused on economic growth, infrastructure, sustainable communities, hunger, clean water and sanitation, climate action, and life on land; and

Whereas it is critical that governments consider the comprehensive impacts on all of these areas when conducting feasibility studies and implementing projects which generate excess soil; and

Whereas neglecting to account for the broader implications of projects may lead to negative outcomes;

Therefore Be It Resolved that the Council of the Township of Puslinch calls on the provincial government to:



- 1. Prioritize the protection of agricultural lands in the management of excess soil from roads and underground projects and in the planning and feasibility studies related to such projects.
- 2. Ensure that adequate resources are allocated to the MECP to support effective enforcement and oversight of excess soil regulations.
- 3. Collaborate with municipalities to provide necessary support and funding for enforcement activities related to excess soil management, minimizing financial burdens on local taxpayers.
- 4. Conduct a comprehensive impact assessment that considers all aspects of sustainable development, in alignment with the United Nations Sustainable Development Report, before proceeding with the traffic tunnel project and any further amendments to excess soil legislation; and

That the Township of Puslinch Council direct staff to send a copy of this resolution to the Minister of the Environment, Conservation and Parks; the Premier of Ontario; all Ontario municipalities; MPP Arnott; MPP Rae; the Wellington Federation of Agriculture; and OMAFRA requesting support for the protection of agricultural lands and sustainable development practices in Ontario.

CARRIED

As per the above resolution, please accept a copy of this correspondence for your information and consideration.

Sincerely,

Justine Brotherston Municipal Clerk

CC: All Ontario Municipalities



THE CORPORATION OF THE TOWN OF PARRY SOUND RESOLUTION IN COUNCIL

NO. 2024 - 178

DIVISION LIST	YES NO	DATE: November 5, 2024
Councillor G. ASHFORD		MOVED BY:
Councillor J. BELESKEY		-1/ / //
Councillor P. BORNEMAN		
Councillor B. KEITH Councillor D. McCANN		SECONDED BY:
Councillor C. McDONALD		SECONDED BY.
Mayor J. McGARVEY		falto rere
CARRIED: DEFEATE	D: Postp	oned to:

WHEREAS official statistics from the Government of Ontario confirm that rural roads are inherently more dangerous than other roads;

AND WHEREAS, despite only having 17% of the population, 55% of the road fatalities occur on rural roads;

AND WHEREAS, rural, northern, and remote municipalities are fiscally strained by maintaining extensive road networks on a smaller tax base;

AND WHEREAS, preventing crashes reduces the burden on Ontario's already strained rural strained health care system;

AND WHEREAS, roadway collisions and associated lawsuits are significant factors in runaway municipal insurance premiums and preventing crashes can have a significant impact in improving municipal risk profiles;

THEREFORE, BE IT RESOLVED THAT the Town of Parry Sound requests that the Government of Ontario take action to implement the rural road safety program that Good Roads has committed to lead, allowing Ontario's rural municipalities to make the critical investments needed to reduce the high number of people being killed and seriously injured on Ontario's rural roads; and

FURTHER THAT a copy of this resolution be forwarded to Premier Doug Ford, Hon. Prabmeet Sarkaria, Minister of Transportation, Hon. Kinga Surma, Minister of Infrastructure, Hon. Rob Flack, Minister of Agriculture, Hon. Lisa Thompson, Minister of Rural Affairs, Hon. Trevor Jones, Associate Minister of Emergency Preparedness and Response, Hon. Sylvia Jones, Minister of Health, the Ontario Good Roads Association; and the Federation of Northern Ontario Municipalities (FONOM); and

FURTHER THAT this resolution be circulated to all municipalities in Ontario requesting their support.

Mayor Jamie McGarvey