

June 13, 2022

The Honourable Todd Smith
Minister of Energy
77 Grenville Street, 7th floor
Toronto, ON
M7A 2C1, Canada

RE: Accelerating Growth in Hydrogen Energy Through Electricity Rate Options (ERO: 019-5381)

Dear Minister Smith,

For more than a century, the Ontario Chamber of Commerce (OCC) has supported economic growth in Ontario by advocating for business priorities at Queen's Park on behalf of our 60,000 members, including local chambers of commerce and boards of trades in over 155 communities.

Businesses across Ontario are uniquely positioned to tackle the climate crisis with made-in-Ontario solutions across sectors that benefit both the environment and the economy. Low-carbon hydrogen is one area of innovation in which our province is playing a leadership role globally.

What businesses need from Ontario's government are policies that incentivize and enable these investments. The OCC is encouraged to see your ministry consult on options to reduce electricity rate for hydrogen producers to help promote sustained growth in our hydrogen economy as part of Ontario's Low-Carbon Hydrogen Strategy. The proposal sends a strong signal to prospective producers and consumers of hydrogen that will encourage investments in the province.

The OCC supports a multi-pronged approach to establishing the hydrogen economy in Ontario. Nascent industries require both support and flexibility on the part of government regulators. Each of the three options proposed in ERO 019-5381 addresses distinct barriers to greater deployment of hydrogen. Enacted in tandem, these options will serve to improve the commercial viability of hydrogen energy in Ontario, sending a clear market signal of this government's commitment to see the hydrogen sector thrive and establish a strong foundation for wide-scale adoption in the near future.

While we are generally encouraged by the proposed options, the details of each will be critical to the program's overall success. In particular:

- **Option 1:** Adjusting the Industrial Conservation Initiative (ICI) eligibility criteria to an average peak demand of 50 kilowatts and above will significantly improve the economics of distributed electrolysis for smaller consumers that are considering investments in hydrogen-powered technology. We similarly support allowing enrollment into the ICI in the first year of operations and encourage the Ministry of Energy and the Independent Electricity System Operator (IESO) to proactively support prospective consumers in understanding their peak demand factors. However, the outstanding potential for price fluctuations, especially in the context of steadily rising Hourly Ontario Energy Price (HOEP), presents uncertainty that can discourage investment.
- **Option 2:** Making use of curtailed generation presents an opportunity for both improving the efficiency of existing generation assets while enabling the production of low-cost, low-carbon hydrogen supply. However, while co-locating may be appropriate from some assets, many are not

compatible with hosting on-site electrolysis. To that end, the OCC would strongly encourage permittance of virtual agreements between electrolysers and renewable energy generators, in addition to co-location, to provide for greater opportunities for low-cost hydrogen production to meet Ontario's future energy and decarbonization needs.

- **Option 3:** Establishing a dedicated stream within the Interruptible Rate Pilot for hydrogen producers recognizes the sector's unique circumstances and growing importance. For the hydrogen economy to realize the full potential of this policy mechanism, the OCC would strongly encourage two conditions. First, the interruptible price must meet or fall below the current 'all-in cost' for ICI participants, as acknowledged in Ontario's Low-Carbon Hydrogen Strategy. Secondly, we encourage the introduction of short-term, fixed-price interruptible rate electricity contracts for hydrogen producers. Enabling cost certainty would deliver the greatest possible inducement to drive investment into hydrogen production, and thereby greatly encourage and accelerate hydrogen consumption.

We look forward to working with your government to advance Ontario's hydrogen economy, and we welcome the opportunity to discuss this issue further.

Sincerely,



Rocco Rossi
President and CEO
Ontario Chamber of Commerce