PEMBINA Institute

How Ontario municipalities can support local renewable energy under new IESO rules

Power Playbook

Part 1: Preparing for renewable energy proposals

June 2025

Lia Codrington

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The Pembina Institute is a national non-partisan think tank that advocates for strong, effective policies to support Canada's clean energy transition. We use our expertise in clean energy analysis, our credibility as a leading authority on clean energy, and our extensive networks to advance realistic climate solutions in Canada.

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Contents

The Pembina Institute acknowledges that the work we steward and those we serve span across many Nations. We respectfully acknowledge the Toronto office of our organization is based in the ancestral territories of the Mississaugas of the Credit, the Anishinaabe, the Chippewa, the Haudenosaunee, and the Wendat Peoples and the presence of many Indigenous Peoples. These lands we are upon are also now home to many diverse urban First Nations, Inuit, and Métis People.

These acknowledgements are some of the beginning steps on a journey of several generations. We share them in the spirit of truth, justice, reconciliation, and to contribute to a more equitable and inclusive future for all of society.

Introduction

About this guide

As Ontario's electricity demand grows, the Independent Electricity System Operator is rolling out a new process for securing more energy and storage solutions. Unlike previous procurement processes, municipalities now need to provide their support for project proposals before the proposals can be submitted to the IESO. This change empowers you to significantly influence how local energy projects are developed. However, this also means more responsibilities for you.

This guide offers strategies for updating your planning documents, options you can consider when evaluating renewable energy development proposals, and recommendations for application fees to cover the additional workload. We've also included some examples to demonstrate how other municipalities are tackling this new process.

The Independent Electricity System Operator (IESO) forecasts electricity demand in Ontario to grow by 75% by 2050. The province will need — as soon as 2029 — both new capacity assets like batteries, which help the grid meet peak demand, and energy assets like wind turbines and solar panels, which produce affordable electricity. The IESO has launched a series of competitive procurements to ensure Ontario has enough of these resources available as demand increases. In each procurement, developers propose their electricity projects, and the IESO awards the ones that best fit provincial energy needs, as laid out in the procurement's request for proposals, with contracts to purchase their energy or capacity for many years. Once they receive a contract, the projects move through the next phases of permitting and construction processes.

The Long Term 2 (LT2) procurement is the second in the IESO's series of procurements targeting new resources that will be able to provide energy and/or capacity for at least 20 years. The LT2 procurement's energy and capacity streams aim to secure a total of 14 TWh of annual generation (enough to power over 1.5 million homes) and 1600 MW of peaking capacity in a series of procurement windows. Submission deadlines for the first window are October 16, 2025, for the energy stream and December 18, 2025, for the capacity stream. Projects accepted in the first window are expected to come online in May 2030.

The LT2 procurement is competitive and "technology-agnostic," meaning that any type of electricity generation or storage project that can provide energy and/or capacity is eligible to participate, so long as they have received a Municipal Support Confirmation (MSC) from the

municipality in which they will be sited before the proposal is submitted. However coal and offshore wind generation cannot be built in Ontario because of previously enacted provincial policies. The IESO will evaluate proposal on cost as well as their performance against a set of rated criteria. The best will receive contracts and proceed to the next stage of the procurement. See Figure 1 for an overview of the procurement steps and how municipalities play a role in each one.

Complementary resources

The Association of Municipalities of Ontario (AMO) has a useful *Municipal Energy Procurement Toolkit* that discusses these stages, as well as how municipalities are involved in each one.

Ontario Clean Air Partnership's *Landowner Guide for Wind and Solar Project Development in Ontario* focuses primarily on landowner concerns that may be of interest to residents, but also contains information that may be useful to municipalities including project development timelines, procurement processes, and approvals and permitting requirements, as well as an overview of wind and solar technologies.

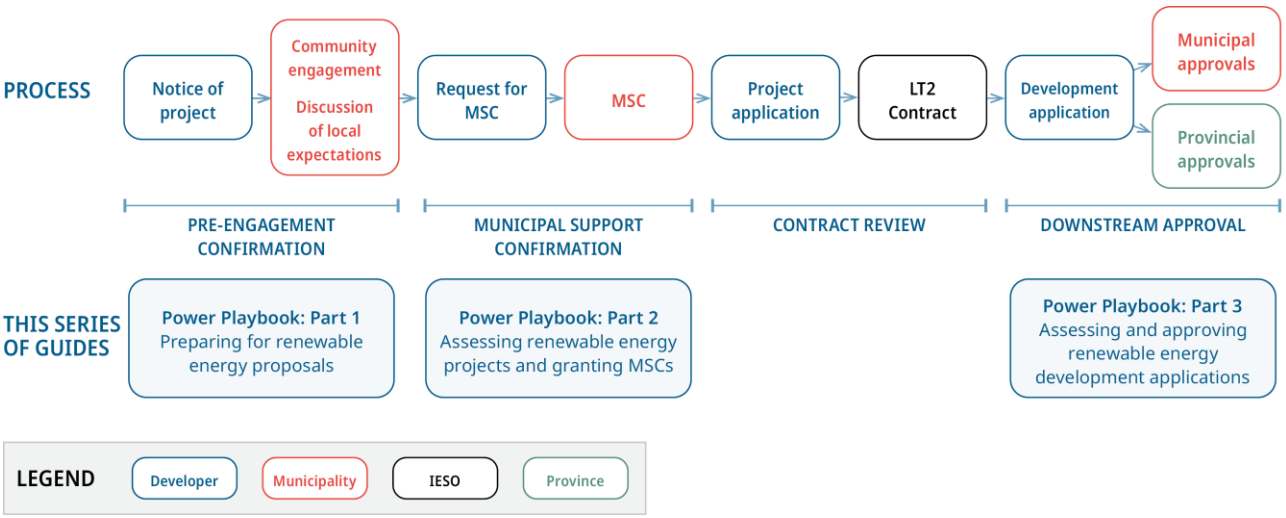

Figure 1. Steps in the LT2 procurement process

Under the LT2 procurement, municipalities have the power to ensure project development happens on their terms. Since developers have to get an MSC before they submit their project to the IESO, municipalities have the opportunity to influence early project decisions. However, this opportunity comes with more responsibilities, as municipal staff and councils must establish

balanced evaluation criteria and approval processes. If these criteria and processes are too strict or too complex, developers might take their investment dollars to another community.

This guide is the first in a series aiming to support municipalities through each stage of the LT2 procurement process. Part 1 focuses on steps municipalities can take prior to receiving proposals, or in the early stages of considering a proposal, to prepare their planning documents and decide on an evaluation framework against which projects will be measured. Further guides (see Figure 1) will look at best practices for providing MSCs and undertaking necessary approval and permitting processes once a project has received a contract from the IESO.

Laying a foundation

Official plans and zoning by-laws are two important tools municipalities can use to lay a stable foundation upon which renewable energy development can build. These need to:

- define **where renewable energy development can occur within the municipality**, and
- outline any **local planning provisions** these projects must follow.

This is particularly important in the LT2, where, after a project contract is awarded, municipalities have a second opportunity to assess a project only if the official plan or zoning by-laws require such local planning approvals.

Choosing acceptable development areas

Following the repeal of the Green Energy Act in 2019, municipalities have regained Planning Act authority over renewable energy projects. Municipalities can decide where they are willing to host renewable energy development within their boundaries, with the following caveats:

- Properties owned by Hydro One or Ontario Power Generation are exempt from zoning under the *Planning Act*.
- Ground-mounted solar development is not permitted on prime agricultural land under the LT2.
- Renewable energy development of any kind is not permitted on specialized crop zones under the LT2.
- Energy development other than solar is permitted on prime agricultural land, but developers must submit the first part of an Agricultural Impact Assessment (AIA) to the municipality as part of the MSC process. This part of the AIA evaluates alternative locations to show that the developer has considered other options and is minimizing impacts. The Ontario Ministry of Agriculture, Food and Agribusiness published a guide for this process, including a checklist for municipalities to use when assessing whether the AIA requirements have been met to their satisfaction.

Choosing ahead of time where renewable energy development will be acceptable lets municipalities ensure land use aligns with the community's vision and creates clarity for developers. This streamlines the development process for both parties. For example, municipalities may have areas with high mineral potential, and they may want to earmark these sites for future mining rather than renewable energy development. The AMO *Municipal Energy Procurement Toolkit* contains additional resources about project siting.

Updating official plans and zoning by-laws

Municipalities can document the areas that are acceptable for renewable energy development by amending their official plans and zoning by-laws. However, if municipalities wish to have a second opportunity to review a project from a technical perspective after it receives an IESO contract, they should carefully reflect that requirement in these documents. The purpose of this second review is to ensure the site is developed appropriately, and the development is consistent with provincial policy and local official plans. The project should only be refused at this stage if there is specific planning rationale; if a municipal council refuses to approve the necessary planning amendments to a renewable energy project at this point, this decision cannot be appealed (as specified in the *Planning Act*).

This section provides examples from two municipalities who have taken slightly different approaches to require IESO-contracted projects to obtain local planning approvals.

Township of Ramara

The Township of Ramara has amended their official plan to categorize renewable energy facilities as a unique type of infrastructure.

- Renewable energy projects are permitted as a principal use within Rural and Industrial zones. They are not permitted as a principal use on Agricultural zones; however, they are permitted in Agricultural zones as an on-farm diversified use.
- All proposed renewable energy projects must proceed through an Application for Site Plan Approval under the *Planning Act*. This process ensures that should a proposed project receive a contract from the IESO, the Township of Ramara can make certain the site is developed appropriately from a technical standpoint, is consistent with the Provincial Planning Statement and conforms to any other provincial plans, upper tier and local official plans and zoning by-laws.
- The township will use zoning by-law provisions to mitigate nuisance impacts through siting and screening requirements, limit impacts on natural heritage features and agricultural areas, and ensure renewable energy facilities have access to the electricity transmission network and arterial roadways.
- Proponents of large-scale renewable projects are encouraged to engage fully with the township, host property owners and community members during all phases of the project's development and operation.
- The township will negotiate agreements with the project proponent about dispute resolution, emergency response, community benefit funds, and after-project site

decommissioning and rehabilitation. These agreements will be made in partnership with the provincial government where necessary.

City of Ottawa

The City of Ottawa's official plan states that renewable energy facilities subject to provincial approvals are permitted as a principal use within Rural Countryside, Greenbelt Rural and Greenbelt Facility land use designations, as well as Natural Environment Area sub-designations (subject to additional policies). They are also permitted as subordinate uses in Agricultural Resource Area and Rural Industrial and Logistics designations; however, large-scale, provincially regulated wind turbines are not permitted on lands designated Agricultural Resource Area. Any proposal for renewable energy development outside of these areas would be required to apply for a site-specific official plan amendment.

Similar to the Township of Ramara, Ottawa will also use zoning by-laws to reduce nuisance impacts of principal use renewable energy facilities through siting and screening requirements, limit impacts to natural heritage features and agricultural resource lands, and ensure access to the electricity transmission network and arterial roadways.

However, the term "renewable energy generation facility" is only defined in the zoning by-law, which means there are currently no as-of-right zoning permissions in any zone. Any renewable energy projects that receive a contract from the IESO will therefore be required to submit a zoning by-law amendment application and receive council approval before they move forward. Ottawa also has a separate by-law that designates all land within the city's territorial limits as an area of site plan control. Under this by-law, renewable energy generation facilities are subject to the municipality's site plan review and approval process after they receive a contract from the IESO.

QUEST Canada has also compiled a database of examples of how Ontario municipalities have incorporated renewable energy into their planning policies; however, most of these examples predate the IESO's MSC requirements.

Developing community criteria

Wind and solar are the lowest cost forms of generation available in Ontario, and battery storage will be key to replacing the grid balancing services that gas-fired power plants currently provide. Procuring all three of these resource types will help Ontario reduce reliance on expensive, CO_2-emitting gas-fired generation and advance its goal of becoming a clean energy superpower.

The LT2's requirement that Municipal Support Confirmations be submitted to the IESO alongside project proposals gives municipalities the opportunity to shape wind, solar and battery storage development in a way that balances community priorities with local and provincial energy needs.

Municipalities can compile a list of criteria against which proposals will be evaluated, and require project proponents to submit information on how their proposal stacks up against them. All proposals can be measured against this criteria list. This will streamline the municipality's assessment process and create clarity for developers on community values and needs.

These criteria can include benefits the community wants to receive from the project, such as financial contributions, in-kind support for municipal projects and infrastructure, job creation, and procurement from local businesses. The list can also include mitigation efforts to reduce potential negative impacts on the community.

Engaging the community

As with any municipal project, it is critical to gather feedback from constituents and reach consensus. However, the timelines for the first LT2 window will make it difficult for municipal elected officials to complete this consultation and arrive at a comprehensive list of criteria for local renewable energy development. This is particularly true for municipalities who were not approached by developers in the LT1 or ELT1 procurements and are thinking about these kinds of projects for the first time. Municipalities that begin the consultation process now will be better prepared for upcoming LT2 windows.

Resources for community engagement

QUEST Canada has put together some useful resources to assist with community engagement on renewable energy development.

- *Participatory Mapping for Actionable Community and Stakeholder Engagement* provides a three-phase engagement framework that can be used to understand community concerns around renewable energy development. This guide also includes a sample survey that could be adapted and used to gather local perspectives on renewable energy.
- For those with GIS experience, *A Guidebook to Map and Assess Opportunities for Solar, Wind and Biomass Energy Development* walks through how to map resource potential and development costs, creating visual community engagement tools.

Selecting evaluation criteria

This section provides some examples that municipalities could adopt into their list of criteria for project evaluation.

Financial benefits

Large-scale renewable energy projects that are built on farm or managed forest properties can generate additional property tax revenue for municipalities, because the portion of land used for generation gets taxed at the higher industrial rate. Wind turbine towers also increase a property's value by $40,000 per MW of capacity installed regardless of the property type, further increasing tax revenues for the municipality. These taxes are paid by the corporate developer.

Property tax assessments are regulated, and municipalities therefore don't have much control over these extra tax revenues, but there are other financial benefits that municipalities could negotiate with project developers. These additional benefits might include:

- A lump sum payment to cover a specific community need such as a new arena.
- A scholarship fund for local students.
- Annual contributions over the project's lifetime to a Community Vibrancy Fund, or other community trust, that the municipality can use however they choose. These contributions could be a set amount or a percentage of the development's revenue.

Instead of annual contributions, municipalities could also opt to receive part ownership of the project(s) they host.

Landowners who lease their land to these projects also stand to gain significant financial benefits, which they may invest back into the community.

When developing criteria for financial benefits, it's important to consider the total cost of all these payments. Developers can only offer so much before the project becomes uneconomical for them.

Other examples of annual contributions

Annual contributions are typically calculated based on the size of the development. For example, during Ontario's Large Renewable Procurement in 2016, wind developers paid host municipalities approximately $3,400/MW of installed turbines. With these numbers, an average 3 MW wind turbine would bring in about $10,000 just in developer contributions every year it is running. Wind developments can range in size from just a few turbines to more than 100, so these payments can multiply quickly. A database of publicly available community benefit agreements in the United States, including payment amounts in $US, is available through Columbia's Sabin Center for Climate Change Law.

In-kind benefits

Project developers might also support local infrastructure and programs directly through in-kind contributions. Examples include:

- Developer-hosted community events or education sessions.
- Sponsorships for local initiatives or sports teams.
- Environmental conservation efforts or green space enhancements.

Energy bill reductions

Another option for in-kind benefits is energy bill reductions or other rebates for residents who live close to the renewable energy site. This could look like graduated electricity bill credits that increase with proximity to the site, as has been proposed in the United Kingdom, or discounts linked to the amount of generation the site is producing. These kinds of systems would be more challenging to implement in Ontario due to the separation of generators and local distribution companies, but simpler mechanisms that the municipality can control, such as developer-funded property tax rebates, could be used to compensate community members who live close to the renewable energy facilities.

Local jobs and business

With renewable energy development come opportunities to hire local labour and boost economic growth in the community during project construction, maintenance and decommissioning. Municipalities can evaluate projects based on whether they:

- Provide or subsidize training programs for community members so they have the skills needed to work in the construction, operation and/or decommissioning of renewable energy projects.
- Prioritize hiring local labour.
- Buy services and materials from local suppliers where possible.

These clauses can be highly beneficial for community members and the municipality as a whole.

Hiring local labour

Chatham-Kent required a wind developer to hire the 90% municipally owned power utility to maintain their wind turbines once construction was complete.

Protecting the community

Each phase of the project proposal process comes with costs that should be passed on to the developer through a comprehensive agreement. These costs should be considered early to avoid surprises.

Before an MSC is granted, the biggest expense will be municipal staff time as staff communicate with the developer, review the proposal, and prepare their recommendation for council, if required. These costs can be covered by charging project proponents an application fee. This fee will vary by municipality depending on staff experience and the expected amount of time it will take to assess each project.

Charging application fees

The Township of Clearview charges potential applicants $250 for a custom pre-consultation checklist that the developer can use to prepare their applications. The township charges another $5000 processing fee upon receipt of the application and takes a $2500 deposit in case they need to arrange for external review of submitted materials.

The Township of Ramara charges $1250 to process applications.

If the project receives a contract from the IESO, municipal staff will take on additional work to coordinate appropriate permits. At this time, because the renewable energy project is not yet operational, the municipality is not receiving any payments from the developer. Municipalities may want to consider charging an additional annual fee to project proponents in the time between contract award and operation.

Constructing, operating and decommissioning the project will also impact municipal infrastructure. Any upgrades required to host the project, such as improvements to the road network to facilitate construction, should be covered by the developer. Some examples of financial agreements or additional compensation packages between developers and Ontario municipalities include:

- Road use agreements to cover any impacts to roads, or use of public road allowances to, for example, bury utility lines.
- Transmission and collection line agreements to cover the installation of overhead transmission lines on public lands.
- Restoration agreements to cover repairs to municipal infrastructure that arise as a result of the development.

- Airport safety payments to cover changes to airport safety procedures if wind turbines are built near a local airport.
- Emergency services training to cover necessary training and equipment upgrades so firefighters are prepared to handle potential thermal runaway or chemical incidents at battery storage facilities.
- Decommissioning deposits to help cover the cost of removing infrastructure and restoring the site in case the developer does not fulfill these responsibilities at the end of the project's life.

While all of these agreements and payments come into play after a project has received an IESO contract, making these financial requirements clear early in the process can help developers determine the per-megawatt cost they will face as they prepare their application.

Communicating criteria

Putting land designation or zone requirements, evaluation criteria and proposal fees into one document sets clear expectations for developers. Municipalities can communicate these guidelines through public documents.

Process protocol

The Township of Clearview's *Process Protocol: Large Scale Renewable Energy Projects* is a good example of a public document that communicates the criteria the township is using to work with renewable energy developers.

Photo: David Dodge, Green Energy Futures

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