



## The Corporation of the Town of Tecumseh

Development Services

**To:** Mayor and Members of Council

**From:** Brian Hillman, Director Development Services

**Date to Council:** December 13, 2022

**Report Number:** DS-2022-49

**Subject:** Capstone Infrastructure Corporation Municipal Support  
Resolution: IESO Procurement Expedited RFP Submission

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### Recommendations

It is recommended:

**That** Report DS-2022-49, entitled “Capstone Infrastructure Corporation Municipal Support Resolution: IESO Procurement Expedited RFP Submission”, **be received**;

**And that** Council **support** the development, construction and operation of a Long-Term Reliability Project by Capstone Infrastructure Corporation in the Town of Tecumseh, more specifically named the South Shore Battery Electric Storage System Project, with a maximum contract capacity of 200 MW, having the unique Project ID of LT1RFQ-026-03-1, LT1RFQ-026-03-2 and LT1RFQ-026-03-3;

**And further that** it be **acknowledged** that the support for this project shall have the sole purpose of enabling Capstone Infrastructure Corporation to receive Rated Criteria points under the E-LT1 RFP or to satisfy its obligations under any contract awarded under the E-LT1 RFP and does not supersede any applicable permits or approvals under applicable Laws and Regulations that may be required for its Long-Term Reliability Project.

## Background

The Independent Electricity System Operator (IESO) ensures that a reliable source of electricity is provided throughout Ontario. This includes managing and planning the province's current and future energy needs. As the province is entering a period of electrical systems constraints driven by electrical demand, the IESO is securing 3,500 MW of capacity through various procurement streams including the Long-Term Electricity Reliability Services Requests for Proposals (LT1 RFP) and the complementary Expedited Process (E-LT1 RFP). This is being conducted to competitively procure year-round capacity from dispatchable New Build and Eligible Expansion Facilities incorporating electricity generation and storage that is registered or able to become registered in the IESO administered markets (larger than one MW and which can deliver a continuous amount of electricity to a connection point on a distribution system/transmission system for at least four consecutive hours during qualifying hours).

The E-LT1 RFP provides proponents with the opportunity to obtain Rated Criteria points which will be used to position the proposal more favourably in the E-LT1 evaluation process. Three criteria points are available for evidence being provided showing that a Long-Term Reliability Project has received support from the local municipality wherein the project is intended to be located.

The Town has received a request from Capstone Infrastructure Corporation ("Capstone"), a Toronto-based independent power producer (IPP) for a Municipal Support Resolution (MSR) for a proposed Battery Energy Storage System (BESS) for up to 200 MW on agriculturally zoned land in the Town. This project is specifically named the South Shore Battery Electric Storage System Project, with a maximum contract capacity of 200 MW, having the unique Project ID of LT1RFQ-026-03-1, LT1RFQ-026-03-2 and LT1RFQ-026-03-3.

After being assessed by the IESO for financial capability and project experience, Capstone was one of 55 applicants to be qualified as a shortlisted participant for the E-LT1 and LT1 RFPs. Representatives from Capstone will appear as a delegation at the Regular Council meeting of December 13<sup>th</sup> to present the proposed BESS.

## Comments

Battery storage systems are devices that allow energy to be stored when supply is higher than demand, then released back to the grid when demand is higher than supply. There are several benefits for employing battery storage systems, including:

- Storing energy when electricity prices are cheaper (i.e., at off peak rates) and supply is high;

- Allowing the province to store renewable energy (i.e. solar, wind), thereby offsetting the use of fossil fuels, even when it is not sunny or windy;
- Supporting the municipal, provincial and federal commitments to reduce greenhouse gas emissions;
- Approximately 95 percent of a lithium-ion battery can be recycled into new batteries;
- Battery storage is easily scalable for the size of the site available;
- New local storage assets may result in reduced outages during extreme weather events and improve restoration timelines when outages do happen.

Battery storage systems typically comprise a collection of 40 ft containers or cabinets placed on concrete pads, which store the electricity. They include several additional components such as air conditioning units, electrical controls and wiring. The design of the systems must meet provincial sound limits. The sites are always fenced and aside from normal site plan considerations, particular focus is placed upon potential noise generation and sufficient fire suppression.

The storage system is connected to a transformer before connecting to the local distribution system or provincial grid.

## **Benefits**

Capstone has identified the following short and long-term benefits to be derived from the BESS project.

### **Short-Term:**

- Construction work will be sourced locally whenever possible providing short-term employment;
- Permit fees will be paid to the Town;
- Secondary support services will be needed for housing, food, site maintenance, etc.

### **Long-Term:**

- Tax benefits for 20+ years;
- Industry diversification for the municipal tax base;
- Long-term jobs required for site management and continued maintenance;

- BESS will contribute to the safe and reliable electrical grid.

Capstone will be required to consult with regulatory bodies to secure various permits and approvals, including the Ministry of Energy, Ministry of Environment, Conservation and Parks, IESO, Electrical Safety Authority, Essex Region Conservation Authority (if site is within an ERCA regulated area) and Hydro One.

### **Official Plan and Zoning**

The area of the Town under consideration by Capstone comprises properties along both sides of Hydro One's 230 kV transmission line that extends across the southern portion of the Town from Howard Avenue, crossing Highway 3 and continuing easterly to Manning Road. The properties under consideration are designated Agricultural in the Town's Official Plan ("Tecumseh OP") and zoned Agricultural (A) Zone in Zoning By-law 85-18.

The proposal for a battery storage facility is consistent with Official Plan policies, including:

- Section 2.3 Planning Principles, subsection xix), which establishes that the Town shall encourage energy efficient designs and the adoption and use of alternative and renewable energy sources;
- Section 2.3 Planning Principles, subsection xxii), which establishes that the Town shall address Climate Change implications, both mitigation and adaptation, in reviewing development proposals and public sector initiatives;
- Section 3.14 Energy Conservation, Climate Change and Air Quality, subsection 3.14.1 viii), which establishes that the Town shall encourage energy generation from renewable sources.

Sections 3.5 (Electric Power Facilities) and 3.7 (Utilities and Telecommunications) generally support the concept of public and private utilities being permitted in all land use designations of the Official Plan. It is noted, however, that the Official Plan did not contemplate battery storage as a potential use as it was not as prevalent at the time of the Plan's development. Accordingly, if a battery storage facility site is selected in Tecumseh, it is anticipated that an Official Plan amendment would be required

In addition, such a facility is not permitted in the Agricultural Zone of Zoning By-law 85-18. Therefore, a zoning by-law amendment would also be required.

The preceding official plan and zoning by-law amendment would be undertaken concurrently, and the process would involve the holding of a public meeting in accordance with the provisions of the Planning Act, thereby providing the public and other stakeholders with an opportunity to be involved in the decision-making process.

The municipal support being sought at this time is exclusively in relation to the IESO procurement process. It allows Council to make independent and unfettered decisions in relation to any future planning decisions that might be required in relation to Capstone's proposal.

## **Summary**

It is recommended Council support the development, construction and operation of a Long-Term Reliability Project for a BESS by Capstone Infrastructure Corporation in the Town. In addition, it is recommended that Council acknowledge that its support for this project will be for the sole purpose of enabling Capstone Infrastructure Corporation to receive Rated Criteria points under the E-LT1 RFP or to satisfy its obligations under any contract awarded under the E-LT1 RFP and does not supersede any applicable permits or approvals under applicable Laws and Regulations that may be required for its Long-Term Reliability Project.

## **Consultations**

None

## **Financial Implications**

None at this time.

## Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input checked="" type="checkbox"/>	Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
<input type="checkbox"/>	Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

## Communications

Not applicable ☒Website ☐Social Media ☐News Release ☐Local Newspaper ☐

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Chad Jeffery, MA, MCIP, RPP  
Manager Planning Services & Local Economic Development

Reviewed by:

Brian Hillman, MA, MCIP, RPP  
Director Development Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP  
Chief Administrative Officer

<b>Attachment Number</b>	<b>Attachment Name</b>
None	None