

Green Energy Act Alliance

GEAA Feed-In Tariff Analysis: Part II

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This document is Part II of the Green Energy Act Alliance's (GEAA) response to Ontario Power Authority's (OPA) proposed feed-in tariff policy.

The topics summarized below are critical to a well-functioning and world-class program of feed-in tariffs.

- Microgenerators & Queue Exempt Generators
- Planning for Two-Year Review
- Renewable Purchase Obligation

Microgenerators & Queue Exempt Generators

The OPA has conducted a remarkably open and public series of stakeholder engagement workshops on OPA's proposed feed-in tariff program. However, there has been no equivalent public participation in developing the microgenerator and queue exempt portion of the program.

The Green Energy Act Alliance strongly encourages the OPA and LDCs to include the public and interested parties in any discussions concerning implementation of feed-in tariffs for microgenerators and queue exempt projects.

It is likely that microgenerators, notably rooftop solar PV, will be the earliest and most visible participants in OPA's feed-in tariff program. For this reason, it is essential that this program work effectively. It can only do so if the public and interested parties have some input how the program will function.

Further, the delay in the main program to July should not in any way hinder launch of the microgenerator portion of the program. **The GEAA strongly encourages OPA to launch the microgenerator FIT program immediately to not only maintain the program's momentum, but also to reassure observers and potential participants in Ontario and beyond that the program will not be delayed further.**

Finally, the GEAA strongly encourages OPA to move all "pioneer" RESOP contracts for solar PV that would qualify as microgenerators to the new FIT program with the appropriate tariff. This is fair to all concerned and is appropriate payment for the services that these "pioneers" contributed to Ontario's ratepayers in developing a more robust and successful feed-in tariff program.

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Planning for Two-Year Review

It is not too early to begin planning the outline of how to proceed with the program's two-year review. If the program launches in July, 2009, OPA should begin the formal two-year review in July 2010 for completion prior to July 2011.

OPA should propose to the Ministry of Energy and Infrastructure and to stakeholders a time line (Gantt-chart) for the review process. The GEAA strongly encourages that the early review process include a full discussion of using a transparent and non-proprietary "economic" model over the proprietary "financial" model used by OPA's consultants in the current proceeding.

Similarly, the GEAA suggests a thorough discussion of the benefits of moving the single onshore and offshore wind energy tariffs to a system of tariffs differentiated by wind resource intensity as found in the successful programs in Germany and France.

The early review should also determine the type of data needed for informed and reliable tariff calculations with full consultation of stakeholders.

It is the hope of the GEAA that OPA's two-year review will not simply emulate successful policies elsewhere, but that its openness, accessibility, and thoroughness will serve as a model for other jurisdictions in North America and across the globe.

Contracts Must Specify that OPA Has an Obligation to Purchase

The GEAA applauds OPA's proposed resolution of this problem by noting that contracts will contain language prohibiting non-emergency curtailment or where it does occur, providing appropriate compensation. The GEAA finds OPA's resolution of this problem an example of how stakeholder engagement can be an effective tool for developing a world-class feed-in tariff policy.

We are pleased that the OPA has clarified its position on the obligation to purchase. However, some stakeholders have criticized the OPA for its position. Thus, the GEAA feels compelled to reiterate why an obligation to purchase is critical to a successful program.

It is our understanding that the *Green Energy and Green Economy Act* is intended to emulate successful European feed-in tariff policies. These policies all include access to the grid and grant renewable generators that are connected to the grid priority of purchase for their renewable generation. This is fundamental.

In all countries with successful feed-in tariff programs, the contract's counterparty has an obligation to purchase all the renewable generation produced. This provision says that renewable generation is always taken first regardless of "market rules" or policies of "economic dispatch." If the grid is up, the generation is taken, and the generator is paid for their generation at the contracted price.

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If the grid is functioning correctly and there are no issues of safety or grid stability, when the renewable generator is producing electricity, the grid operator has an obligation to take the generation and pay for it according to the terms of the contract. This differs from normal emergency curtailments that occur in any power system due to lightning strikes, or other system outages that are of limited duration.

The GEAA noted publicly that OPA's insistence that contracts were "not take or pay" signaled the potential for far more than limited, carefully proscribed curtailment of generation. We were concerned that future provincial policy could change course, prompting the IESO to change its "market rules" and grant other generators "priority." Absence contractual terms specifically granting renewable generation priority and carefully limiting any non-emergency curtailment would allow future governments to effectively abrogate OPA's contracts through economic curtailment.

Without a clear statement in the contract that OPA is obligated to purchase all renewable generation under the contract, or that renewable generation takes precedence over all other forms of generation, there is the risk that the OPA, the IESO, OEB, or some other entity will make a determination that renewable generation is "uneconomic" or "not in the public interest" or some similar determination and curtail generation from renewables for extended periods. This "economic curtailment" could be substantial, bankrupting companies, and destroying the feed-in tariff program.

One of the objectives of the feed-in tariff policy is to remove barriers to renewable development and increase the certainty around long-lived investments that renewables require. OPA, by calling into question its obligation to purchase renewable generation in the draft program, did the exact opposite by increasing uncertainty and raising a new barrier: the risk of curtailment.

Any risk of curtailment must be specified and the amount of generation at risk must be quantified in the contract.

OPA has said that their "intent" was not to economically curtail and that curtailment, if any, would be limited. Nevertheless, all contracts must include a provision that obligates OPA to purchase all connected renewable generation or it will be difficult if not impossible to raise capital.

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