

July 27th, 2010

Colin Anderson
Ontario Power Authority
120 Adelaide Street West, Suite 1600
Toronto, Ontario M5H 1T1

RE: Ground-Mounted Solar PV FIT tariff rate

Dear Mr. Colin Anderson,

Ontario's new Feed-in tariff (FIT) and microFIT programs position Ontario as a global leader in renewable energy technology. A cornerstone of the program is stability because of the security and assurance it provides to investors and manufacturers – this certainty drives investment in the sector.

The Government of Ontario chose FITs as the primary mechanism for renewable energy procurement for several reasons. First, they work. Markets with well designed FIT programs deploy more renewable energy by far than those without. Second, they are broad based and have popular appeal. FIT's allow the private homeowner, or farmer, to become involved in electricity generation. Third, the flexibility to offer different prices for different technologies allows pricing to reflect the cost of installation, allowing all technologies to earn a return, to allow them to be built.

Farmers associations, environmental groups, industry associations, unions and First Nations, which make up the Green Energy Act Alliance, have consistently applauded FIT program announcements and have congratulated the Ontario Power Authority (OPA) on the fair and transparent manner in which it has developed the program. Recently, however, the OPA has proposed a rate change in a manner which threatens the success of the FIT program and growth of the renewable energy sector in Ontario.

While it is true that the OPA does not appear to be violating the FIT rules or any legal agreements by proceeding in this manner, we feel that it is violating the trust which the industry has placed in it by unfairly and arbitrarily changing the established practices. As the OPA must now be aware, industry members, industry groups and the public now feel betrayed and misled by the OPA and the Ministry of Energy and Infrastructure. The sudden change in FIT prices, without consultation, for ground mounted microFIT projects is disturbing and sets a precedent that will have lasting and devastating effects on the integrity of the program amongst investors, manufacturers, and developers as well as acceptance of the program amongst the Ontario public.

The Green Energy Act Alliance is not advocating a freeze in the price. Indeed, FITs are designed to be flexible and adjustable, but we are concerned that the integrity of the program is under threat by the process chosen for changing the FIT rate in this case. There are three immediate concerns with the proposed change to the FIT rate. These include: transparency and integrity of FIT price changes, designing a comprehensive FIT review process, and honouring contracts for projects currently in development.

Changes in FIT price must NOT be retroactive.

At very least, the OPA must honour FIT prices for all projects where contract applications have been submitted. Preferably, FIT prices should be changed only after proper stakeholder consultation, whether the price changes are part of a scheduled or unscheduled review. The FIT and microFIT rules should be changed so that this consultation requirement applies both to scheduled and unscheduled price reviews.

This type of transparent process is essential to maintaining the confidence of investors, developers, manufacturers and lenders, and of course the jobs that go with them.

Project proponents across the province have proceeded in good faith with preparations for project construction and financing (increased inventory and staffing levels, increased bank lines of credit, construction activities, etc.) with the safety and knowledge that the program was stable and that there was a large number of conditional approvals being released in the next few months. Private citizens have rearranged their financial affairs, cashed in retirement savings and arranged for loans based on the 80.2 cents price, and in many cases made deposits for equipment, or even received delivery. They were given no indication that the microFIT solar price would change without prior notice, and indeed it would appear that the OPA stopped processing applications some time ago while it reviewed the pricing. The proposed price of 58.8 cents applies retroactively to include contract applications already submitted. Many citizens will be unable to follow through with most or any of the planned work. Thousands of contracts will need to be unwound, but in some cases this will not be possible, as funds will have been spent. A number of firms could go bankrupt in the process. This loss of businesses will also strand individuals with current projects without warranty or equipment repair available, if the OPA's stance does not change.

Transparency and integrity of FIT price changes

The proposed changes to the FIT contract rates are not consistent with the intent of the legislation and this precedent setting move of a holiday weekend shift in price is removing all credibility for long term investment offered under FIT. Neither the Ministry of Energy and Infrastructure, nor the Ontario Power Authority gave sufficient notification of the intended contract price change.

Changes to the FIT prices without a comprehensive and transparent review process undermine the FIT process, making the investment climate unpredictable. There are a number of unconfirmed reports that this action by the OPA has already resulted in the cancellation of investment in manufacturing facilities in Ontario. The timing also could not have been worse. With the upcoming increase in requirements for domestic content, many foreign organizations are contemplating whether or not to locate a manufacturing facility here. The stability of the program would be paramount in their minds when making the decision and this action can do nothing but reduce their confidence. Clearly, such unpredictable changes in FIT price undermine the integrity of the program.

The method in which the change was implemented will be seen by the entire market, not just the microFIT or ground mount solar sector. After all, if changes like this can be done for ground mount micro FIT, why not for wind, or rooftop PV, or micro Hydro? The investment climate in all sectors has been severely shaken.

Designing a comprehensive FIT review process

To address the issues of transparency and embed integrity into the FIT review process, planned and unscheduled FIT price reviews must be comprehensive and open to the public and key stakeholders. A FIT review process must be established for both scheduled and unscheduled reviews. The review process must include consultation of all pertinent public agencies (including MOE, MEDT, OPA, OMAFRA and the ECO) and renewable energy industry associations (OSEA, CanSIA, CanWEA, AMO), community organizations (First Nations, Ontario Federation of Agriculture, Green Energy Act Alliance), and the public. These basic principles are being ignored in the current process to the peril of the FIT program's long term success.

There are several options for conducting FIT price reviews. Ontario has opted for a periodical review and adjustment of tariffs based primarily on ongoing market research, similar to the review processes in

Germany and the Netherlands. Such systems of review are not able to respond to immediate or sudden changes in FIT rates, unless scheduled as part of a predetermined digression in FIT price (as in Germany). Unscheduled changes in FIT price create uncertainty amongst development and manufacturing investors.

As part of an ongoing dialog about FIT price review, Ontario should consider the use of technology targets to trigger unscheduled price reviews or the use of automatic digressions linked to technology targets. This would allow unscheduled FIT price changes, but only with a proper transparent review process and triggers that can be anticipated by industry and investors.

The initial success of Ontario's FIT should reassure policy makers that FITs are the most successful mechanism for generating investment in renewable power. However, Ontario's FIT program is still young and needs to be properly nurtured, with stability and consistency paramount. If changes need to be made to a FIT price, these decisions must be as a result of a transparent, routine process and be forward looking, never retroactive.

Sincerely,

The Green Energy Act Alliance

About the Green Energy Act Alliance: The Alliance's vision is to make Ontario a global leader in green energy development through the use of renewable energy, distributed energy and conservation, creating thousands of jobs, economic prosperity, and energy security, while ensuring climate protection. Member groups include: the Ontario Sustainable Energy Association, Community Power Fund, the David Suzuki Foundation, Environmental Defence, United Steelworkers, the First Nations Energy Alliance, the Ivey Foundation, the Ontario Federation of Agriculture and the Pembina Institute. www.greenenergyact.ca.

cc:

Premier Dalton McGuinty,
Minister of Energy and Infrastructure Brad Duguid,
Minister of Economic Development and Trade Sandra Pupatello,
Ontario Commissioner of the Environment Gord Miller